FINANCIAL TIMES

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WORLD NEWS

Ecuador's President held hostage

Rebel Air Force commandos in Ecuador yesterday kidnapped President Leon Febres Cordero and some government officials at a military airbase near *Guayaquil*. Several people were wounded during shooting.

The kidnappers were reported to have demanded freedom for Frank Vargas Pazzos, ex-Air Force commander who led an uprising last year. The Vice-President is expected to declare a state *of emergency*. Page 2

Dublin court fines Robinson I£15,000

Peter Robinson, Democratic *Unionist MP for East Belfast*, was fined I£15,000 (£14,400) by Dublin's special criminal court and bound over to keep the peace for 10 years for his part in a Loyalist raid on a village in the Republic.

Mr Robinson, who pleaded guilty to unlawful assembly, was *ordered* to pay the I£2,588 costs of the damage caused. Page 4

Politburo changes likely

A shake-up of the Soviet Union's 12-member Politburo is likely soon, say Soviet officials. Foreign Minister Eduard Shevardnadze is expected to take charge of the KGB and to be succeeded by Anatoly Dobrynin, former ambassador to the US. Back Page

New Hong Kong head

The British Government appointed David Wilson, a 51-year-old diplomat, as governor of Hong Kong. He succeeds Sir Edward Youde, who died last month. Back Page; Profile, Page 8

US-Mongolia talks

The US said it was holding talks with *Mongolia* about normalising relations and was hopeful of success. On Thursday the Soviet Union said it intended to withdraw a division from Mongolia.

Eta arrests

Spanish police claimed a breakthrough against Basque Eta terrorists with the arrest of six people alleged to belong to the Madrid-based Spain Commando, blamed for 22 deaths last year. Page 2

Iranian shot dead

The ex-pilot of Iranian speaker Ali Akbar Hashemi Rafsanjani was shot dead by two gunmen in Hamburg, West Germany. The man had applied for asylum.

Lorry driving let-up

The Transport Department suspended limits on the time *lorry drivers can spend* behind the wheel, because of the severe weather. Page 4; Forecast, Back *Page; Railway thaw, Page 9*

No free TV for old

A Commons private member's bill to provide pensioners with free television licences was defeated by 183 votes to 162. Page 3

Higgins fined £250

Snooker player Alex Higgins was fined £250 by Preston magistrates for head-butting a tournament official and damaging a door at last year's UK championships. He faces disciplinary action from the sport's authorities.

Scots to play in Belgium

Belgium which banned British soccer teams after the Heysel stadium disaster in 1985, is to let Scotland play an international in April. Heysel will not be the venue.

Cash in vestments

Spinster Ethel Baines, who died in November, left £500,000 to boost the salaries of 180 clergy in Ripon diocese, North Yorks.

BUSINESS SUMMARY

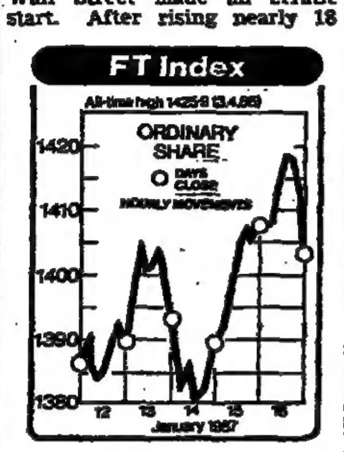
Pilkington says profits to double

PILKINGTON Brothers, glass manufacturer and subject of a £1.2bn takeover bid from BTR, industrial conglomerate, forecast yesterday that its pre-tax profits would double from £123m to £250m in the year to March.

This is far ahead of City and of BTR's expectations, and bolster's Pilkington's defences. Back Page

UK EQUITIES: The stock *market* surge, virtually sustained since Christmas, was checked late yesterday when Wall Street made an erratic start. After rising nearly 18

FT Index



points, the FT-SE 100 index just failed to extend its eight-day record run, closing unchanged at 1,789.0. The FT Ordinary Index closed at 1,403.0, 3.9 down on the day but 16.6 up on the week. Page 13

STERLING staged a technical recovery in thin trading yesterday, rising strongly against the West German D-Mark after hitting all-time lows earlier this week.

The pound's trade weighted index closed at 69.0 compared with Thursday's close of 68.3. Sterling closed yesterday at DM 2.7950 compared with the previous close of DM 2.7675, and at $1.516 after $1.505.

INFLATION rate rose in December to end the year at an annual 3.7 per cent, well above the 2.4 per cent trough recorded in July and August. Back Page

APV HOLDINGS announced its agreed bid worth about £147m for Baker Perkins which will create one of the world's largest makers of equipment for food and drink processing. Back Page

FRENCH Government fixed a price of FFr 405 (£43.32) a *share for the privatisation of* Paribas, the investment banking group. This was a lower *price than most analysts* expected. Back Page

MERRILL LYNCH, US securities house, has won approval from the Japanese Finance Ministry for its London banking subsidiary to open a branch in Tokyo. Page 11

JAPAN'S trade surplus surged by nearly 80 per cent to a record $82.7bn (£54.95m) in 1986, but officials expect it to decline later this year. Page 3

JACQUES DE LAROSIERE, former managing director of the International Monetary Fund, has been appointed as the new governor of the Bank of France. Page 2

ENERGY SECRETARY Peter Walker has signed an agreement with the Soviet Union to promote technical co-operation in oil and gas exploration and development. Page 4

SHADOW CHANCELLOR Roy Hattersley launched an attack on "merger mania" and malpractice in the City. Page 4

MAIL NEWSPAPERS announced that *300 jobs are to go* in Manchester where the northern editions of the Daily *Mail are produced*. Page 4

SAFEWAY, US-owned supermarkets chain, may be floated on the London Stock Exchange by its parent group. Page 10

Party chief steps down as crisis deepens in China's leadership

BY ROBERT THOMSON IN PEKING

HU YAOBANG, China's Communist Party chief and one of the most powerful men in the country, resigned in disgrace yesterday as the crisis within the leadership intensified.

Hu, 71, a long-standing friend and confidant of Deng Xiaoping, the Chinese leader, and a strong advocate of political and economic reform, had been under pressure from conservatives for some time and wrote a humiliating self-criticism to accompany his resignation.

Minutes after Hu's fall, an official in charge of commodity prices appeared on television to promise that prices would not be allowed to rise this year. *That indicates that the economic* reforms based on a move towards a more market-*orientated economy* are slowing down.

Hu's influence in China was *enormous, partly* because he appointed so many people to middle-rank positions when he was in charge of the Communist Youth League.

His removal calls in question the future of several senior leaders linked to him, notably his protege Hu Qili, head of the party secretariat. Hu Qili was picked by Hu Yoabang and had been expected eventually to lead the party. He now *seems* likely to be a target for a conservative-led purge.

In *resigning*, Hu admitted violating party policy by not making collective decisions on important political principles. He submitted his resignation to a special, enlarged meeting of the ruling Politburo.

To save face, Hu will retain his position in the Politburo and on the Politburo's powerful standing committee, although diplomats expect him to retire at a special party conference in the autumn. Zhao Ziyang, the premier, will be acting head of *the party* and *now* becomes the likely successor to Deng.

Hu had been leading the campaign to change the nature of the Communist Party by making it more representative, less secretive and better suited to running a reformed economy. His downfall shows *that the party is still stricken* by the intrigue and infighting that has marked its rule for the past *four decades*.

Diplomats believe that Hu, general-secretary since 1981, has been *unable to assert his* authority over the party or win the respect of conservative and military officials *for* his more liberal policies.

His advocacy of radical *political reforms* and the wave *of* student protests in favour of democracy in the past month *quickened his decline. It* appears that Deng, who has been a friend of Hu for more than 40 years, decided *that* Hu could not hold the volatile party together, and demanded his resignation.

It is understood that the two clashed at a party conference late last year and that Deng has become increasingly dissatisfied with Hu's performance, believing him too liberal for what is still a conservative Communist Party.

In recent days, Zhao Ziyang has emphasised that the economic programme will continue and has even indicated that financial reforms will be quickened. However, diplomats believe that *even if Hu* is the only victim of a purge, the confidence of party members *throughout the country* will be shaken by his removal.

Hu's departure follows days *of speculation* that his position was in jeopardy. Despite close questioning, secretive party spokesmen said nothing more than that he was "exhausted from overwork" or "not in good health."

Diplomats say Deng thought the general-secretary had not drawn the party line clearly enough and had allowed academics and artists openly to criticise the party's rule.

Diplomats believe the party will impose tighter political control and increase the emphasis on ideology. Both moves will hinder the economic reform programme.

Hu, the son of a peasant, apparently made mistakes in controlling party propaganda, and appointed as propaganda

Continued on Back Page
Background, Page 2; New Governor for Hong Kong, Back Page

GrandMet buys Nabisco drinks subsidiary in US

BY LISA WOOD AND ANATOLE KALETSKY

GRAND METROPOLITAN—the alcoholic drinks, hotels, and consumer services group—yesterday announced it was buying Heublein, the wines and spirits subsidiary of RJR Nabisco, the US food, tobacco and beverage group, for $1.2bn (£791m) in cash. Heublein's main brand is Smirnoff vodka, the second largest selling brand of alcoholic drink in the world after Bacardi.

The acquisition consolidates Grand Metropolitan's position in the list of the world's drinks companies. Sir Stanley Grinstead, chairman, said: "The acquisition is in line with Grand Metropolitan's strategy of developing its core businesses and increasing the international content of its earnings."

The acquisition was seen in the City yesterday as good for Grand Metropolitan.

IDV, Grand Metropolitan's wine and spirits subsidiary, is already a large international drinks business, its brands including Malibu, Piat d'Or, Bailey's Irish Cream and J & B Scotch whisky. The devision, with sales of £1bn in the year to September 30 1986, contributed £147.2m of the group's £487.4m trading profit.

Heublein, with a turnover of about $1.4bn in 1986 according to preliminary results, had an operating profit in 1985 of about $145m.

The two businesses together will have an operating profit of about £250m a year.

The acquisition will give Grand Metropolitan a total drinks market share in the US of about 13 per cent, a bigger range of drinks to compete in international markets.

Grand Metropolitan is also expected to purchase Almaden, a US wine company with annual sales of about $150m. Heublein announced recently it was to acquire Almaden.

For RJR Nabisco, the sale of Heublein is the biggest step in a long march of divestments which has followed the $4.9m merger of R. J. Reynolds, the second largest US tobacco group, and Nabisco, the US packaged gods and food group. This merger created the largest consumer products business in the US.

The sale of Heublein was a surprise on Wall Street. Concern about the health effects of alcohol consumption and strict laws on the minimum ages of drinkers have taken some growth out of US spirit sales in recent years.

Heublein and Grand Metropolitan have had a trading relationship since 1953, with IDV handling Smirnoff in many international markets outside the US. Also, Heublein has been mafketing IDV's Black Velvet Canadian whisky brand in the US. Mr Anthony Tenant, chairman of IDV, said: "Heublein *provides a very good fit*, and its purchase will dramatically strengthen our distribution and *marketing position in the* US and the rest of the world."

The acquisition has lifted Grand Metropolitan's *gearing* from about 38 per cent to about 100 per cent. The group, which reported pre-tax profits at £386.1m, up by 11.2 per cent, in the year to September 30, has denied it will be mounting a rights isue or making any big disposals to pay for the deal.

Grand Metropolitan share price closed at 454p, down 5p.

Background, Page 10; Lex, Back Page

Telephone engineers walk out

BY PHILIP SHERWELL

BRITISH TELECOM'S pay dispute flared yesterday when thousands of telephone engineers walked out in response *to the first suspensions of staff* taking limited industrial action.

Up to 400 engineers were said by BT to have been sent home during the day for refusing to work, as requested, at the weekend. Their union claimed 700 had been suspended and more than 15,00 of its members then walked out in sympathy.

Large areas of the Midlands, the Thames Valley, East Anglia and West London were affected by the action and are likely to suffer again on Monday or Tuesday through 24-hour protest strikes.

The stoppages will mean that no installation or maintenance work can be carried out. The National Communications Union, the engineers' union, says this will put mounting pressure on a telecommunications system already *hit* by arctic weather.

BT and the union have been *unable to agree arrangements* for emergency cover, which is being provided by local managers.

The dispute, which also involves BT's clerical workers and management staff, is over a pay and productivity deal. The company has offered the 110,000 engineers a 4.5 per cent rise backdated to July, plus further productivity-linked payments from April of this year.

The NCU engineers, who started an overtime ban and work-to-rule last Monday, have been told by the union not to sign undertakings to work normally if asked to do so by the management.

In the last big BT dispute, in 1983, such undertakings were *used by the company to threaten* engineers with dismissal. That dispute, over BT's privatisation, cost the union £2.5m in strike pay and which was the principal factor in the union's defeat. *This time, the NCU has decided* to pay no benefit.

Yesterday's developments began when seven engineers in west London refused to undertake to work today on telephone installation. Managers sent them home and more than 1,100 of their colleagues then walked out.

The strike proposed as a result on Monday will affect all west and north-west London, including Heathrow Airport.

Other strikes are due in many other areas where similar confrontations occurred later yesterday. No engineers have been suspended in the City, however. Mr John Golding, NCU general secretary, said yesterday: "These suspensions are totally arbitrary and designed to escalate the dispute."

CONTENTS

Guinness names share buy-back deal signatories

BY CLIVE WOLMAN

GUINNESS yesterday named its former finance director Mr Oliver Roux and another non-executive director, Mr Thomas Ward, a US lawyer, as the signatories of an illegal agreement to repurchase its own shares from subsidiaries of a Swiss Bank.

A statement from the company added that its auditors had tracked £25m of fees that might have been paid by the company as part of an illegal operation to manipulate the market for its own shares.

The statement confirmed yesterday's report that the Zurich-based Bank Leu, through two of its subsidiaries in Zug and Lucerne, purchased Guinness shares during the final few days of the takeover battle for Distillers on the strength of an illegal agreement with Guinness.

The Guinness directors wished to boost the Guinness share price and enhance the value of its takeover bid *for* Distillers, which it won on April 18. The agreement docu*ments said Guinness would buy* back the shares at whatever price Bank Leu had paid and *would also pay commissions* and charges.

The Companies Act prohibits *a company from* buying back its own shares or from giving any form of financial assistance for *the purchase of its shares*, except in limited circumstances. Any company director "in default" of that prohibition may be fined or jailed.

Mr Roux's solicitors last night issued a statement "to protect his legal position." This claimed that Mr Roux did not enter into the buy-back arrangements with Bank Leu until June, two months after Guinness won the takeover battle. Mr Roux, who resigned as finance director on Monday, refused to clarify the statement, although one of his former colleagues disputed his claim.

The Guinness statement also *said that, in a further apparent* breach of the Comapines Act, a sidiaGuinn shrde shet shetaoi *Guinness subsidiary* made a 50m deposit with a Luxembourg subsidiary of Bank Leu. That *deposit remains and the* Bank Leu group currently holds a total of 41m Guinness shares.

Bank Leu *told a Zurich press* conference that some of the shares were bought in May on the strength of another Guinness buy-back commitment. Their total stock-market value is £111m, after the Guinness share price yesterday fell 17p to 271p.

Mr Hans Knopfli, Bank Leu's president, said the bank had received legal advice that the Guinness agreement to buy back *the shares at no loss* remained enforceable. However, he said, the bank was likely to hold on to the shares until the investigation into Guinness by the Trade and Industry Department was completed.

Dr Arthur Fuerer, chairman of the bank's supervisory board, announced his resignation as a non-executive director of Guinness, as he had been invited to do by a meeting of the full board on Wednesday. He said Sir Norman MacFarlane, Guinness's chairman, had assured him that he was not suspected of any impropriety in his conduct as a director. Guinness, however, *refused to comment*.

Mr Thomas Ward, who was also invited to resign, has not yet done so.

The Guinness statement added that Price Waterhous the *company's auditors, had* indentified invoices totalling £25m for fese paid to "third parties" for advice and services in connection with the Distillers bid. The directors beleive those fees might have constituted further illegal financial assistance to share purchasers supporting Guinness during the takeover bid.

The £25m figure is extremely high, especially as it excludes the substantial other fees that Guinness paid, for example to Morgan Grenfell, its merchant bank adviser during the bid. The Argyll Group, the rival bidder for Distillers, paid bid-related fees of only £17m, excluding its underwriting costs. Argyll confirmed that it was considering legal action to recover its losses from the bid.

Because of the uncertainties, Guinness announced that the interim dividend to shareholders announced on December 10 would no longer be paid on January 30, as planned. No new date has been set.

The Guinness statement, in a letter to shareholders, discuses the assignment of the US trademark of the lucrative Dewar's White Label whisky to its US distributor, Schenley Industries, which is owned by Mr Meshulam Riklis. Schenley spent £60m buying Guinness shares to boost its price during the final stage of the takeover battle. The brand was given to Schenley at no cost.

Guinness says the assignment was made on the advice of the US law firm, Ward, Lazarus, Grow and Cihlar, of which Mr Thomas Ward is a partner, to protect the brand against unauthorised imports.

Guinness statement, Page 6; feature, Page 8; Lex, Back Page

WEEKEND FT

MELTDOWN

Could Britain's nuclear power stations be vulnerable to disaster, whether by default or by design? Max Wilkinson, our Resources Editor, makes the moves to melt-down.
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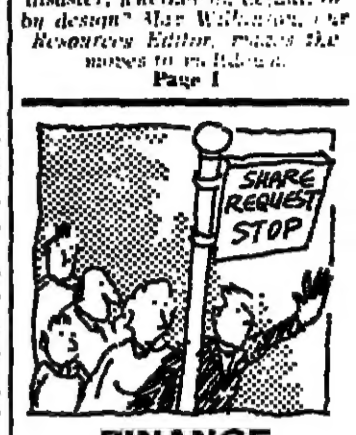
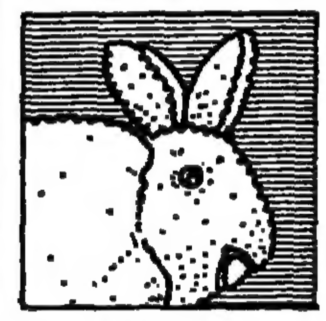


FINANCE

Weekend FT Report on wider share ownership
Page XII-XV



HOW TO SPEND IT

Keeping warm is the key issue—not forgetting some special advice on what to expect of your insurance policy in the event of burst pipes.
Page VII, XVII

DIVERSIONS

The madness and the magic of midwinter mountain climbing.
Page XVIII

MARKETS

DOLLAR

New York lunchtime:
DM 1.843
FFr 6.1665
SFr 1.545
Y153.3
London:
DM 1.8440 (1.8425)
FFr 6.17 (6.1575)
SFr 1.544 (1.546)
Y153.4 (153.55)
Dollar index 105.1 (104.9)
Tokyo close Y153.1

US LUNCHTIME RATES

Fed Funds 5⅞%
3-month Treasury Bills: yield: 5.48%
Long Bond: 101¼
yield: 7.35%

GOLD

New York: Comex Feb latest $417.5
London: $415.25 ($415.5)

STERLING

New York lunchtime $1.518
London: $1.516 (1.505)
DM 2.795 (2.7675)
FFr 9.3525 (9.2675)
SFr 2.34 (2.3275)
Y232.5 (231.0)
Sterling index 69.0 (68.3)

LONDON MONEY

3-month interbank: closing rate 11 1/16% (11 1/16)

NORTH SEA OIL

Brent 15-day Feb (Argus) $18.775 ($18.875)

STOCK INDICES

FT Ord 1,403.0 (−3.9)
FT-A All Share 891.38 (+0.1%)
FT-SE 100 1,789.0 (same)
FT-A long gilt yield index: High coupon 9.91 (10.01)
New York lunchtime: DJ Ind Av 2,070.72 (−0.01)
Tokyo: Nikkei 19,149.63 (+365.36)

Chief price changes yesterday, Back Page

CONTINENTAL SELLING PRICES: Austria Sch 20; Belgium BFr 45; Denmark DKr 9; France FFr 6.50; W Germany DM 2.20; Ireland 60p; Italy L1,600; Malta 30c; Netherlands Fl 3; Norway NKr 7.00; Portugal Esc 100; Spain Pta 125; Sweden SKr 8.00; Switzerland SFr 2.20.

Fall of Hu may mark a halt to programme of reform in China

BY ROBIN PAULEY

THE RESIGNATION yesterday of Hu Yaobang, the Chinese Communist Party chief, is a big blow to the new-look Chinese leadership and raises serious questions about the ability of the country to pursue its reformist programme.

At its simplest, Hu's departure indicates that political reform has been developing too fast under his enthusiastic leadership. While the party seems likely to try to continue with economic reforms there must now be serious doubt as to whether political reform can continue.

Until now party leaders including Deng Xiaoping, the paramount leader, have said economic reform cannot be completed without political reforms.

But Hu has been the leading proponent of reform and his removal indicates how powerful the conservative anti-reform faction on the Politburo remains.

Hu will be 72 this year. For many years he has been the right-hand man of Deng, who is 10 years older, and has been widely regarded as heir to the leader's mantle.

He was born in 1915 in Liuyang County in Hunan Province just about 100 kilometres from Shaoshan, where Mao was born. He left home at 14 to join the Communist Party Children's Corps and took part in the Long March 1934-35. He held a succession of propaganda and party positions until the Communists gained power in 1949.

He became secretary of the Communist Youth League in 1952, joining the party central committee four years later. This sparkling rise on the Chinese leadership ladder was brought to a sharp halt by the decade of Cultural Revolution from 1966.

He was bitterly criticised and humiliated by Red Guards, who shaved his head and made him crawl on his hands and knees.

Hu and Deng, already close friends, were both banished and accused by leftists of the same "crimes" including using entire railway cars and special airplines to ferry partners around the country to join them in their shared passion—bridge.

However, Hu quickly regained prominence once the arrest of the Gang of Four indicated the Cultural Revolution excesses were finally over. He became head of the party organisation department in 1977 and once Deng Xiaoping became paramount his old comrade's rise was assured. He hand-picked Hu to become party secretary general in 1980—the job he lost yesterday—and in 1981 he became party chairman, Chairman Mao's former position, which he retained until its abolition in September 1982.

While others, such as Zhao Ziyang, the Premier who replaces him, were more politically astute, Hu remained vital to Deng as an outspoken advocate of a more market-oriented economy and more freedom for individuals in enterprise and politics.

Once the recent spate of student protests, demanding more freedom and democracy broke out, however, a clear split emerged in the leadership between the reformers and the conservatives, who seized their chance to argue that change had gone too far too fast.

Deng, China's most brilliant reader of runes, ruthlessly abandoned his friend and colleague of more than 40 years once he realised that sacrifices were needed to prevent the conservatives wrecking the entire reform programme.

It is now clear both that the conservatives are more powerful than previously believed and that Deng himself is a good deal more conservative than many Westerners believe and certainly more conservative than the increasingly progressive Hu.

Hu remains, at least for the time being, on the important five-man Politburo standing committee but his removal "in disgrace" from one of the three most powerful posts in China is the most important signal yet domestically and internationally that for the time being liberalism is on hold.

Paradoxically, the recent student demonstrations hastened the demise of Hu. Yet it is the intellectuals, represented by the students and the academics and writers who supported them, who will be most dismayed by the fall of Hu.

Hu: proponent of reform

Belgium appoints Gandois to head steel group

BY PAUL BETTS IN PARIS

MR JEAN GANDOIS, the chairman of the French nationalised Pechiney aluminium and metals group, was appointed chairman of the Belgian steel group Cockerill-Sambre yesterday by the Belgian Government.

The move is the latest chapter in the controversial game of corporate musical chairs in the executive suites of large French and Belgian industrial groups.

Mr Gandois will continue to devote most of his time as chief executive and chairman of Pechiney, but he has agreed to become chairman of the Belgian steel group where Pechiney said yesterday he would "devote a minor part of his time."

Pechiney added in a statement that Mr Gandois would supervise strategic decisions at the Belgian group as well as its negotiations in Europe.

The appointment marks a return of Mr Gandois to the Belgian steel industry where he had acted as the Belgian Government's special adviser in this sector before taking over at the top of Pechiney last July. Mr Gandois has long had the reputation of being a leading French industrial troubleshooter.

However Mr Gandois' decision to split his time between Paris and Brussels is unlikely to be welcomed by Pechiney since the aluminium and metals group with annual sales of about FFr 35bn is still in the throes of restructuring.

Tim Dickson adds from Brussels: Cockerill-Sambre, whose activities are divided between two centres in Liege and Charlerio, is one of the most depressed steelmakers in Europe and is currently negotiating to lay off 2,000 of its 15,000 employees, as well as plans to cut wages and increase the working week. It recently announced losses of BFr 4.5bn on turnover of around BFr 74bn for 1986.

During his time as chairman between December 1983 and September 1985 Mr Gandois was responsible for a restructuring plan of BFr 100bn involving new investment, plant closures and job cuts.

The Belgian Government apparently interviewed several candidates but it was felt in Brussels last night that Mr Gandois' experience of the company would be a major asset.

The effect of the new appointment is that Mr Levy's old job is being split between Mr Gandois and Mr Philippe Delanois, who became managing director

Second Khashoggi airliner grounded

By Richard Johns

A SECOND airliner belonging to Mr Adnan Khashoggi, the Saudi Arabian businessman and arms dealer, was impounded on Wednesday at Le Bourget airport near Paris following a court order obtained by Mr R. W. "Tiny" Rowland, Lonrho's chief executive.

The sumptuously furnished DC-8 was seized on the instructions of an Aubervilliers court because of Mr Khashoggi's failure to repay a personal $2.5m loan plus accumulated interest to Mr Rowland.

On January 5 on the order of the same court, Lonrho obtained the seizure of a DC-9 airliner belonging to the Saudi billionaire, who faces a number of claims and suits amounting to $140m by creditors in the US.

"The aircraft was mortgaged as security for a $4m loan plus accumulated interest from the company. Half of its became due last December 30 and the obligation to settle the rest of the debt was accelerated as a result of Mr Khashoggi's failure to repay the first $2m tranche, according to Lonrho.

As a result of another default in respect of a $1m loan from Lonrho the company is understood to have taken control of Mr Khashoggi's 180,000-acre ranch in Kenya.

It is believed that Mr Khashoggi's liabilities to Lonrho and Mr Rowland exceed the $7.5m accounted for by the three seizures

EEC, Soviet Union hold first round of talks

BY QUENTIN PEEL IN BRUSSELS

OFFICIALS of the Soviet Government and the European Commission in Brussels have held their first formal talks aimed at establishing diplomatic relations and a Soviet mission to the EEC.

The talks over the past two days should pave the way for an end to the refusal by the Soviet Union to recognise the EEC.

They follow a gradual thaw in relations between the Community and the Comecon state trading bloc, matched by EEC moves to reinforce bilateral ties with individual Comecon member states.

No new date has been set for further talks, but the meeting was said to have been conducted in "a constructive working atmosphere," and both sides put a "positive interpretation" on the talks, according to EEC officials.

The Soviet Union is keen to reinforce bloc-to-bloc relations between Comecon and the EEC, which might bolster the political and economic status of the state-trading group. The Community prefers to emphasise the importance of relations with individual Comecon states.

The EEC has always maintained the Comecon itself does not have the legal status to negotiate on trade matters, as the Community does under the Treaty of Rome.

Meetings have now been held by Commission officials with all the Comecon member states, and negotiations are relatively far advanced with Romania, Czechoslovakia and Hungary.

The immediate result of any normalisation of relations between the European Commission and the Soviet Government would be the opening of a Soviet mission to the EEC in Brussels, and recognition of Community negotiators in international organisations, officials said.

● More than 100 companies from countries including the US, West Germany, Japan, France, the Netherlands and India have applied to set up joint business ventures in the Soviet Union under new rules introduced on January 1 this year, according to Tass, the official Soviet news agency.

A controversial EEC plan to give away surplus foodstocks to victims of this month's freezing weather was being finalised in Brussels last night, writes Tim Dickson in Brussels.

The scheme, which one European Commission official estimates would probably cost "a few million Ecus," will involve the free distribution to charities of a wide range of agricultural commodities, including butter, beef, fish, yoghurt and cheese, sugar, olive oil and fruit and vegetables. Bread making wheat will also be supplied

The European Commission already has the power to implement some of the proposals but several of the measures will require the approval of Community farm ministers, who meet in Brussels on Monday.

Equador president seized by commandos

BY SARITA KENDALL IN QUITO

PRESIDENT Leon Febres Cordero, and a group of top Equadorian government officials were kidnapped early yesterday by rebel air force commandos at a military airbase near the city of Guayaquil. Shooting began as the President was attending a military ceremony at the airbase. Several people were wounded.

Reports say the kidnappers are demanding freedom for General Frank Vargas Pazzos, the former air force commander who led an uprising against the government last year.

In Quito the presidential guard and police broke up a demonstration in front of the presidential palace. The Supreme Court and Congress issued statements calling on the rebels to free the President and asking Equadorians to defend constitutional democracy.

A state of emergency has been declared and Equador's Vice-President is expected to take over temporarily.

Reuter adds: Gen Vargas Pazzos ended his first rebellion after mediation by Mr Febres Cordero's private secretary, but three days later he staged a second mutiny at an air force base in Quito. At least four people were killed and nine wounded when army commandos backed by tanks flushed out some 200 rebels loyal to Gen Vargas Pazzos holed up in a barracks close to Quito's international airport.

The general was moved to an army base outside Quito, where he was placed under close guard. He was at the centre of a government crisis last September when the opposition-dominated Congress granted him an amnesty which Mr Febres Cordero refused to honour.

There has been a wave of student and worker protests against rising prices in Quito and other major cities. President Febres Cordero is a close ally of President Ronald Reagan and broke diplomatic relations with leftist Nicaragua in October 1985. His determination to liberalise the country's economy and keep up repayments on its $8.1bn foreign debt has won praise in Washington.

Airbus mounts Latin American sales drive

BY DAVID GARDNER IN MEXICO CITY

AIRBUS INDUSTRIE, the European airliner consortium, is mounting a drive to break into the US-dominated Latin American market with its 218-seater A-310 aircraft.

Last Wednesday, Airbus, which has set up its regional head office here, laid on a series of demonstration flights from Mexico City to Acapulco. The aircraft was put on show earlier in the week in Quito and yesterday moved on to Lima and from there it is to go on to Caracas.

The only sales the European consortium has secured in the region were of its A-300 to Brazil's domestic airline several years ago.

Its main targets in Mexico are Aeromexico, the wholly state-owned carrier, and Mexicana de Aviacion, in which the Government has held a majority share since the company's financial crisis in 1982.

Both are McDonnell Douglas clients while most of Mexicana's aircraft are Boeing 727s. The two airlines' ageing fleets are in need of replacement but both are strapped for cash. The government is hard-pressed to keep up with servicing more than $100bn in foreign debt and has severely trimmed its investment priorities.

Last year's oil price collapse cost Mexico $8.5bn in lost revenues, a third of its total exports.

An additional questionmark hangs over the future of Mexicana — which itself owes over $400m abroad—and which the Government has been trying to privatise for over a year without success.

The two airlines are understood to be investigating the possibility of leasing agreements.

Mr Jean Delclaux, Airbus chief executive for the region, told a press conference here last week that the company would be interested should Mexico wish to trade oil for airliners. Though Airbus has done similar barter deals, its executive says, with unnamed Middle Eastern clients, it has always been Mexico's policy to insist on cash for its oil, which remains its principal resource and export.

Canadian airline to buy 12 A-310s worth $675m

BY BERNARD SIMON IN TORONTO

WARDAIR of Canada yesterday confirmed that it would buy 12 Airbus A-310 aircraft at a cost of $US675m, making it the first Canadian airline to place an order with the European consortium.

Edmonton-based Wardair said that the aircraft, to be delivered between November 1987 and the end of 1988, would be used on non-stop flights from Vancouver to London, as well as on its existing North American and Caribbean routes. The aircraft will be equipped with General Electric CF6-80-C2 engines.

The sale may include a role for Canadian suppliers. Canadair, the Montreal aerospace group, has expressed interest in providing components and maintenance services for Airbus. Canadair already has a link to the consortium through a joint venture with Aerospatiale of France to tender for a shipborne aircraft project for the Canadian armed forces.

The airbuses will replace most of Wardair's eixsting fleet of four Boeing 747s and three McDonnell Douglas DC-10s. While the latter aircraft are well suited to the airline's traditional mass charter business, they are considered too large for the scheduled services into which Wardair is currently expanding.

Three secondhand Airbus A-300's leased last year from South African Airways will be disposed of.

Wardair said that the purchases would be financed by proceeds from aircraft sales, a public share offering and financing from European export credit agencies.

Fiat Aviation to build components for Airbus

BY JOHN WYLES IN ROME

FIAT AVIATION yesterday announced that it had signed a potentially lucrative contract with Airbus Industrie to supply airframe components for the proposed A-340 programme.

This will be the first direct involvement of the Fiat Group in the Airbus project and the company yesterday estimated the potential value of the deal as between a minimum of $700m and a maximum of $3bn, depending on the number of orders placed for the A-340.

Until now Fiat has been a supplier of engine parts for Airbus through its membership of the IAE (International Aero Engines Consortium). The new agreement is the first significant involvement by an Italian aerospace company in Airbus production and comes shortly after Aeritalia, the state-owned aerospace company, signed a participation agreement in the production of the McDonnell Douglas rival to the A-340, the MD-11.

Fiat Aviation's expertise in componentry has centred on the production of pylons, which attach engines to aircraft wings, flap carriages and landing gear. As a member of the five-company IAE consortium, it is already involved in the production of the V-2500 turbofan engine for the A-320

Airbus Industrie has not yet formally taken a decision to launch the A-340 which is due to enter service in 1992. The programme was given a big boost earlier this week when Lufthansa, the German airline, placed the first 15 orders for the long range airliner and took an option on an additional 15.

Guerrillas claim Afghan deaths

AFGHAN guerrilla leaders claimed westerday that dozens of Afghan soldiers and militiamen were killed or wounded in rebel attacks on government posts in defiance of the ceasefire proposed by the Moscow-backed government in Kabul, AP reports from Peshewar.

Afghan guerrilla spokesmen in Peshewar in Pakistan, close to the Afghan border, said there had been clashes in eastern Afghanistan, the same area as fighting erupted on Thursday, the day the ceasefire was due to take effect.

"There is no cease-fire as far as the Mujahedeen (holy warriors) are concerned. There has been no agreement," said a spokesman.

The leaders of the seven guerrilla groups that form the Islamic alliance of Afghan Mujahedeen planned to hold a rally in Peshewar today to announce their response to the government's call for a six-month ceasefire and national reconciliation to end the eight-year-old war.

Each of the seven parties rejected the ceasefire offer when it was made by the government. Guerrilla sources said the alliance would today issue a united rejection of the government offers.

Iranian forces expand beach-head

HEAVY fighting continued south-east of Basrah as Iranian forces continued to expand their beach-head west of Fish Lake, the man-made barrier created to guard the approaches to Iraq's second largest city, writes our Middle East staff.

One week after launching the Karbala 5 offensive they appeared, however, to have made little progress in enlarging the area under their control about 12 miles from Basrah.

In Washington an official was quoted yesterday as saying: "There have been (Iranian) gains from the standpoint of occupying beach front in the south but we're talking yards and metres."

Mr Charles Redman, US State Department spokesman, said that Iran seemed to have abandoned its attempt to open up a second front in the central sector near Qasr e Sharin.

The Iranian operation has proved a costly one. Mr Caspar Weinberger, US Secretary of State for Defence, was quoted by the Washington Post yesterday as saying that Iran had lost about 40,000 soldiers since December 24 when Iranian forces crossed the Shatt al Arab waterway but were beaten back.

Six held in police raid on Eta's Madrid commando

BY DAVID WHITE IN MADRID

SPANISH police yesterday arrested six people alleged to belong to the Basque Eta organisation's notorious Madrid-based "Spain Commando."

The dawn raid on a flat in the capital's eastern outskirts, in which police blew open the front door, came after three months of intensive search for the members of the unit.

The "Spain Commando" is held responsible for 22 deaths in Madrid last year, more than the number of victims of Eta violence in the Basque country itself. Since the Socialist Government took power in late 1982, victims of Eta's campaign in the capital have included seven senior army and navy officers and a top bank executive.

The search was stepped up in September with a call for co-operation by Madrid residents, following two spectacular actions in July in which 12 young civil guards were killed

Police also found arms and documents in their swoop on other buildings and were continuing to search for other members of the group. News of the arrests, which security officials initially tried to keep secret, broke while the Cabinet was holding its weekly meeting.

A senior government official said that four of the alleged terrorists—three men and a woman—were clandestine activists. The other two, both women, were so-called "legal" members of the organisation having proper "cover" and documents.

Fed man warns against $ fall

By Stewart Fleming, US Editor, in Washington

MR WAYNE Angell, a member of the Federal Reserve Board, warned yesterday that a further decline in the value of the dollar could intensify concerns about inflation and become a factor influencing Fed monetary policy.

The thrust of Mr Angell's remarks was that, other things being equal, the central bank would not be able to adopt as stimulative a monetary policy in such circumstances.

This was read by some private economists as a signal of support for Fed chairman Mr Paul Volcker.

The central bank reported that industrial production in December, boosted by big increases in the output of consumer goods and defence equipment, rose by 0.5 per cent.

For the past three months industrial production, which had been flat for close to a year, strengthened and manufacturing employment rose.

Ian Rodger writes from Tokyo:

● The value of the yen stabilised yesterday at the end of a week of hectic trading and strong intervention by the Bank of Japan. At the close in Tokyo, it stood at Y153.65 to the dollar, down Y0.7 from Wednesday's close. The market was closed on Thursday.

De Larosiere heads bank

BY GEORGE GRAHAM IN PARIS

MR JACQUES DE LAROSIERE, the former managing director of the International Monetary Fund, has been appointed governor of the Bank of France.

Mr De Larosiere's appointment, announced yesterday, means that he will swap jobs with Mr Michel Camdessus, who succeeds him at the IMF in Washington.

Mr Camdessus's last weeks at the Bank of France have been among the most testing of his tenure, with extreme pressure on the French franc forcing a realignment of the European Monetary System last weekend.

His successor inherits a still tense position in which the franc remains vulnerable to the strength of the D-mark.

The Bank of France has recently moved away from its traditional system of quantitative credit controls and towards the execution of monetary policy through the management of the money markets.

The Government of Mr Jacques Chirac, however, has not carried out its election pledge to reform the official status of the Bank of France.

HONG KONG APPOINTMENT

New governor led UK negotiations with Peking on colony's future

BY DAVID DODWELL AND COLINA MACDOUGALL

SIR DAVID WILSON, named yesterday as the new Governor of Hong Kong and given a knighthood, succeeds Sir Edward Youde who died while on a visit to Peking early last month.

Sir David is already well known in Hong Kong because of his role in negotiations with Peking over the territory's future and the years he spent in the late 1970s and early 1980s as political adviser to the then Governor.

Sir David led the British team in the negotiations with Peking in 1984 over the future of Hong Kong, which is to be returned to China in 1997, but retain its capitalist system for 50 years.

He has since led the British delegation to the thrice-yearly meetings of the Joint Liaison Group, set up under the agreement to settle detailed questions such as Hong Kong's international trade relations and questions of nationality.

Mr John Boyd, Foreign Office poliitcal adviser to the government in Hong Kong, is being recalled to London. He may be appointed to head the British team for the next meeting of the JLG in March. Mr Boyd, like Sir David a fluent Mandarin speaker, has served in Peking before.

While generally seen in Britain as an excellent appointment Sir David's greeting in Hong Kong may be muted. He does not speak Cantonese and, while since the early 1970s the territory has become reluctantly accustomed to Foreign Office governors, it inevitably believes their interests are more those of Britain than of Hong Kong.

Sir David's part in the agreement with China, which provided the British Government with a grateful exit from an embarrassing situation, was seen by many in Hong Kong as a let-down.

Sir David, Oxford-educated after school at Glenalmond in Scotland, is currently assistant under secretary at the Foreign Office in charge of Asia. In 1968 he left the foreign service to do a PhD, at the same time editing the scholarly British publication, China Quarterly.

Evidently deciding that the academic life was not for him, he returned to the foreign service in 1974. He spent four years in Hong Kong from 1977 as political adviser.

Other candidates for the governorship have included Sir Percy Cradock, formerly ambassador to Peking and now Mrs Margaret Thatcher's special but part- time adviser on Hong Kong. He is believed to have refused the post. In any case, Sir Percy, at 63, is a year older than was Sir Edward Youde when he died.

David Wilson . . . knighted yesterday

The gruelling job *may* be better suited to a younger man.

Sir David is a keen mountain climber and his fitness is not in doubt. Several years ago he accompanied Chris Bonnington's expedition to the Chinese side of the Himalayas.

"Anyone who can climb Mount Kongur is likely to be man enough for Hong Kong," commented a senior journalist in one of Hong Kong's Chinese newspapers following confirmation of Sir David's appointment.

Sir David's relative youth may, however, count against him in a Chinese society where age is seen as weighty and venerable. To Peking, he may not appear to carry sufficient clout, especially as his mid-level ranking in the Foreign Office may seem to give him too little access to the ear of Downing Street. This is unlikely to be the case, however, because *of Mrs Thatcher's personal interest in the appointment*

His youth may raise other questions. At nearly 52, Sir David will be due to retire in eight years. If he remains as governor until then—and it is difficult to think of a suitable appointment to follow—he would retire just two years before the handover to China.

This two-year gap has been seen as possibly a useful running-in period for Hong Kong's first Chinese governor, who could thus bridge the gap between British and Chinese sovereignty. However, it could also prove an awkward space to fill if no suitable candidate has emerged by then.

A further consideration is that diplomats do not have the wide administrative experience to run the complex economic mechanism that is Hong Kong. Sir David's understanding of *how Peking ticks is undoubtedly* an asset, as will be the relationship he has already formed with senior Peking officials. His grasp of the financial and economic imperatives in the territory, however, remain to be tested.

With the process of "localisation"—the appointment of Hong Kong Chinese officers—taking place, issues of morale among expatriate civil servants are beginning to emerge, as well as questions over the shape the administration should take as 1997 approaches.

"David thinks on his feet," said a colleague recently, and this talent plus his friendliness and charm are likely to go down well in Hong Kong.

His wife Natasha, who runs a Montessori kindergarten in west London, and their two teenage sons, will also help to oil the wheels.

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OVERSEAS NEWS

Pretoria grants reprieve to Mozambique migrants

BY JIM JONES IN JOHANNESBURG

ABOUT 30,000 migrant miners threatened with repatriation to Mozambique have been granted a reprieve by South Africa. Gradual repatriation of another 30,000 miners, however, which has been under way since last October, will continue.

The Government ordered repatriation of Mozambicans employed on South Africa's mines and farms last October following a land mine explosion which injured six white South African soldiers patrolling the border with Mozambique.

At first, the Government ignored the outcry from mineowners and farmers and ordered that all Mozambican migrants be repatriated and not re-hired when their temporary employment contracts expired. Employers were not consulted by the Government and they were faced with having to phase out their Mozambican workforces over a period of about 18 months.

The Chamber of Mines and the Department of Manpower have agreed to allow gold mines and collieries to continue to rehire about 30,000 men with specific skills or men with more than seven years' service on the mines. However, the mineowners will not be allowed to recruit novice miners or re-hire unskilled workers from Mozambique though the Chamber of Mines hopes the Government will eventually abandon altogether the recruitment prohibition.

The gold mines and collieries employ about 485,000 black miners. About 60 per cent of Mozambican miners' wages are paid in the form of direct remittances to Maputo totalling about R400m (£130m) a year. These represent Mozambique's largest source of foreign exchange.

Tropical fruit farmers in the South African Lowveld who rely on Mozambican migrants are also putting pressure on the government to rescind the prohibition on re-enlistment. The area is staunchly right-wing and it is believed that President P. W. Botha's Government will reverse its decision to win votes in the white general election this year.

● Reuter adds: Archbishop Desmond Tutu yesterday urged the opposition liberal Progressive Federal Party to withdraw from the election.

Philippine rebel attack broken

ARMY GUNNERS, shelled Moslem rebel positions with mortars early yesterday as the Philippines' worst outbreak of Moslem violence in a decade left 30 people dead and 57 wounded, the military said, Reuter reports from Cotabato, Philippines.

In Manila, Mr Aquilino Pimentel, a presidential adviser, announced that despite the fighting in the south, President Corazon Aquino would go ahead with a weekend visit to Cotabato and five other cities on Mindanao Island.

General Fidel Ramos, the armed forces chief, told reporters after meeting Mrs Aquino that "she will be taking some risks in proceeding to Cotabato . . . but the military can take appropriate action" to keep her safe.

Mrs Aquino met her military and civilian advisers hours after troops broke up rebel concentrations outside Cotabato with the mortar barrage and 750 soldiers drove out 300 guerrillas who had attempted to attack Mindanao State University in Marawi at dawn.

The army used two tanks and seven armoured personnel carriers to repel the rebels at the university, military spokesmen said.

Gen Ramos said 21 guerrillas, two militiamen and seven civilians had been killed in three days of fighting. One rebel and 56 civilians were wounded. He gave no details about the fighting but hinted that many of the rebel casualties occurred when government forces cleared roadblocks erected by several hundred guerrillas on a highway not far from Cotabato.

The army mortar fire also dispersed rebel concentrations of up to battalion strength—about 600 men — just outside Cotabato, Gen Ramos said.

Military sources said the death toll over three days of scattered but coordinated attacks by the Moro Islamic Liberation Front (MILF) marked the worst flare-up of Moslem violence since a general and more than 30 of his soldiers were killed in a 1977 ambush.

The attacks were the first by Moslem guerrillas since Mrs Aquino took power in a civilian-backed military revolt 11 months ago and promised national reconciliation.

More than 50,000 people were killed in the 1970s when Moslem rebels fought pitched battles with the Philippine army to gain an independent homeland in Mindanao, 500 miles south of Manila.

Japan trade surplus at record $82.7 bn

BY CARLA RAPOPORT IN TOKYO

JAPAN'S trade surplus rose to a record $82.7bn in 1986, but the government says the long-awaited decline will start to take hold this year.

Ministry for International Trade and Industry figures released yesterday showed that the trade surplus jumped by nearly 60 per cent last year in dollar terms, thanks to continued growth of exports. On a customs-clearance basis, exports jumped more than 19 per cent in 1986 to a record $209.2bn. Imports dropped slightly to $126.5bn.

Miti was at pains to point out yesterday that in yen terms, the increase in the trade surplus is only 26.3 per cent, with exports in yen terms down nearly 16 per cent. Thanks to cheaper oil prices, lower energy demand and the stronger yen, yen-based imports fell by more than 30 per cent.

The rate of decline in exports was greater in the second half of the year than the first. With oil prices rising, Miti forecasts the trade surplus to "shrink noticeably" in 1987. Even on a dollar basis, "exports should decrease to some extent while imports grow substantially, owing to the spreading effects of the yen's appreciation," Miti says.

Those exports which thrived in 1986 were primarily office equipment and motor parts. The hefty increase in motor parts, up 11.8 per cent in yen terms, was largely due to an increase in the number of Japanese vehicle makers setting up production plants overseas. Consumer items faired more poorly, with video cassette recorders suffering a 21.1 per cent drop in yen terms.

The figures also show the first signs of an improvement of European Economic Community exports to Japan. An EEC official in Tokyo said yesterday: "We're not over the moon. The surplus between Europe and Japan is continuing to increase."

Fuji TV tackles imbalance with US

By Carla Rapoport

CLAYTON YEUTTER, take note. The US trade representative's biggest headache, the huge trade deficit with Japan, is under energetic attack by one of the most powerful weapons in Japan — Japanese television.

This week saw the debut of a programme called the Oishinbo Club, which translates into "taste for delicious food" or Gourmet Club. The food in question is American consumer goods at American prices.

Contrary to popular opinion, the Japanese do have a healthy appetite for things American. The programme's first hour-long instalment, which offered everything from rain ponchos to two-carat diamond rings, reduced the trade deficit by more than $1m in just 12 hours. The calls were still coming in yesterday, with total orders expected to hit $2m.

Could it be that the Japanese just love a bargain? So far, the yen's healthy appreciation against the dollar has hardly been reflected in shop windows. Retailers and distributors are holding onto fatter margins, publicly counselling consumers to have patience. Privately they saw that imported goods are glamour goods which would be hurt by reduced prices.

The producers of Oishinbo, however, are offering the goods at US prices, using today's exchange rate, and absorbing the cost of tariffs and delivery. This amounts to a 30-35 per cent reduction on prices in Japan.

Mr Hisae Kitahara, an executive with Fujisankei Communications International, the media group which dreamed up the idea, says: "We are prepared to make a loss on this. We want to do something to reduce the trade deficit and get some good out of en-daka (the high yen)."

The first programme, beamed live from New York by satellite, had all the silliness of a traditional game show, which no doubt will help ensure its success. Japanese comperes invaded numerous shops in New York's Pier 17 shopping centre, backed up by an Eskimo on one occasion and a US high school marching band. The dancing and singing were of the energetic, as opposed to accomplished, variety.

Viewers were given a telephone number to ring to order the merchandise. According to the producers, the best-selling items were flight jackets, modelled on those worn in the film Top Gun, rain ponchos ($62.50) and a wristwatch which has a face which transforms into a 3-D eye ($83.25).

Other items on offer were a two-carat diamond ring (Y498,000), a steerable snow sled, a leather handbag, necklaces and the US Eagle gold coin.

The producers intend to stage the next programme on March 20, also from New York. If all goes well, it will become a regular feature on Fuji television.

UK NEWS

Tootal in Swansea mill talks with China

By Anthony Moreton

TOOTAL, a textile company, has been talking to the Chinese authorities about setting up an integrated cotton mill at Swansea.

Mr Geoffrey Maddrell, managing director, said: "We have not been talking finance, nor are we discussing a joint venture, nor are we looking at figures; but the proposal interests us because we have a part to play in helping the Chinese achieve international quality standards."

He was speaking this week after declaring open the Guangying spinning mill in Guangzhou (formerly Canton), an £8m venture for which Tootal has met about half the costs.

Officials of Nantung, outside Shanghai, have visited Swansea twice to look at the possibility of setting up an integrated works in the city's enterprise zone. Another visit is expected for late February or early March.

The project would create about 300 jobs, and such a plant would give Chinese cotton goods quota-free access to the European Community and yield much-needed foreign exchange.

China has undertaken a joint venture in the Caribbean with a US company to supply the US market, and it would need western capital before it would go ahead in Swansea.

Tootal wants to develop further within China. "We are entering a new and exciting era in our relations with China," Mr Maddrall said at the mill opening.

The company wants production facilities in low-cost countries. The two mills it has in China could lead to wider partnership.

The Guangying mill will produce 2m kilogrammes of industrial sewing thread a year — doubling Tootal's output in China.

Channel Islands hydrofoil link

By Kevin Brown, Transport Correspondent

A SUMMER-SEASON hydrofoil service is to be operated between Weymouth, Dorset, and the Channel Islands by Condor, a Guernsey-based company, which has operated a service between the islands and France since 1964.

The service, to start on April 12, will compete for holiday traffic with British Channel Island Ferries, Sealink, and Torbay Seaways.

Condor will sail daily until October using an Italian hydrofoil with a capacity of 190 passengers. A second vessel will be in reserve.

Air France expands UK services

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

COMPETITION ON air routes between the UK and Paris will intensify this summer following Air France's introduction of new routes between the two countries.

The airline yesterday announced plans, starting in March, to fly between Charles de Gaulle airport in Paris and Gatwick, Stansted, Southampton and Jersey.

The Gatwick services will provide severe competition for British Caledonian, which operates from there.

Air France also confirmed that it had opened negotiations with Boeing of the US for the acquisition of up to 16 747-400 long-range Jumbo jets, worth about $2bn (£1.33bn), and had also notified Airbus Industrie, the European airliner manufacturing group, of its interest in acquiring up to seven of the projected long-range four-engined Airbus A-340 jet airliners.

Mr Nicolas Gorodiche, Air France's manager for the UK and Ireland, said in London that from March 29 the airline would operate 36 flights a week between Gatwick and Paris, using Boeing 727s and 737s, in addition to the 126 flights a week operating between the French capital and Heathrow.

The flights between Stansted and Paris would be twice daily, Mondays to Fridays, with afternoon and evening departures. Swedish-built Saab SF-340 34-seat turbo-prop airliners, operated by affiliated companies of Air France, would be used.

Southampton's Eastleigh airport would be linked to Paris with 12 flights a week each way, using 42-seat ATR-42 turbo-prop aircraft, while the Jersey-Paris flight schedule would be a weekend service, using the Saab SF-340 aircraft.

Mr Gorodiche said the UK expansion by Air France would make travelling between the two countries more convenient, with a wider choice of departure points.

The service from Southampton is expected to be of considerable convenience to businessmen in the expanding industrial corridor along the south coast of England between Havant in the east and Bournemouth in the west.

Mr Gorodiche, who has been Air France general manager in the UK for the past five years, is returning to Paris and his post is being taken over in London by Mr Bernard Morel.

Earlier this week, Air France announced lower turnover and profits for 1986 due to reduced activity and the weakness of the dollar. This reflects the difficult international operating environment for the airline during the past year, with terrorist fears in Europe and the Chernobyl disaster both cutting the volume of US tourism to Europe.

Nuclear reactors 'offer cheaper power than coal-fired stations'

BY MAX WILKINSON, RESOURCES EDITOR

BRITAIN'S first nuclear pressurised water reactor (PWR) could produce significantly cheaper electricity than an equivalent coal-fired station at today's coal prices, says an independent report

The report, from Cambridge Energy Research (CER), a consultancy, says however, that on some assumptions, a nuclear power plant could prove more expensive than a coal-fired station in the UK.

In France, however, where the nuclear industry is highly efficient, nuclear power will remain cheaper than the alternatives, even under extreme assumptions.

The two main uncertainties are the price of coal and the cost of capital. Since nuclear reactors are expensive to build but relatively cheap to run, they become less attractive in a world where returns on capital are assumed to be high.

They become more competitive if the price of coal is assumed to be high during their 25-year lives.

On the Government's assumption that the annual real rate of return for the project—the discount rate—should be 5 per cent, CER calculates that a nuclear station would be cheaper than a coal station provided the average cost of coal were greater than $44 per tonne.

This is equivalent to about £29 per tonne at today's exchange rate, well below the average of £42 a tonne which the Central Electricity Generating Board is paying to British Coal.

The report says that in France coal prices would have to be as low as £16 per tonne before nuclear power became uneconomic. As construction costs are low in France, a higher cost of capital or reduced coal prices makes relatively little difference to the economic viability of a nuclear plant.

Britain's first PWR, planned at Sizewell, Suffolk, would be the first of its kind in the country and its £1.6bn cost would be about twice as much as that of an equivalent station in France.

If it were assumed that the return on capital—the discount rate — should be 10 per cent rather than 5 per cent, the first British PWR would not break even unless coal prices were above £46 per tonne.

That is roughly equal to the highest price which the CEGB is paying to British Coal at present, but twice the price on international spot markets.

Second and third PWRs in Britain would be expected to be about 30 per cent cheaper than the first. A follow on order would be economic at coal prices above £18 per tonne if a 5 per cent return on capital were assumed, and at £27 per tonne at a 10 per cent return.

The analysis shows that the costs of decommissioning nuclear stations at the end of their lives has little effect on their economic viability as future costs are small in present value terms.

However, over-runs in costs or delays in building a nuclear station could have a serious impact on its competitiveness.

Nuclear Economics and the Price of Coal, Cambridge Energy Research Ltd, 10, Jesus Lane, Cambridge CB5 8BA.

Free TV for elderly bill is defeated

By Ivor Owen

MINISTERS and their aides who form the so-called payroll vote effectively killed off an attempt in the Commons yesterday to provide old age pensioners with free television licences.

A private member's bill to this effect, sponsored by Mr David Winnick, MP for Walsall North, was defeated by 183 votes to 162.

By convention, the party whips do not operate when private member's legislation is discussed and the unusually large number of ministers who participated in the vote—13 members of the Cabinet were among the 60 who went into the lobby against the bill—led to angry protests from Labour.

Although Mrs Thatcher was not present, Mr Gerald Kaufman, shadow Home Secretary, maintained that the way the payroll vote had been wheeled out disposed totally of the "phony compassion she had sought to display for the poor and pensioners during the severe weather.

To Labour cheers, he declared: "What we have now seen is the genuine hard face of Thatcherism."

Two Conservative backbenchers—Mr Geoffrey Dickens of Littleborough and Saddleworth, and Mr Tony Speller of North Devon — voted for the bill.

Mr David Mellor, Home Office Minister, whose speech was peppered by hostile interruptions from the Labour benches, argued that the £230m concession which the bill sought to provide would be ill-directed, at least one third going to pensioners not in need of it.

Commissions boost for research body

BY DAVID FISHLOCK, SCIENCE EDITOR

UNEXPECTEDLY HIGH earnings from research commissions last year have been reported by the Natural Environment Research Council.

Contract research income had come from a wide variety of sponsors, domestic and overseas, in spite of the science community's criticism of the council's five-year corporate plan for development, it said.

As a result, the council found itself in better financial shape although income from the Government's science budget had been declining because of inflation, Dr John Bowman, its secretary, said.

Dr Bowman said 70 per cent of last year's income of £100m had come from the science budget and the rest from research commissions.

Income from government was falling but commissioned income was increasing.

The council had been examining the possibility of forming a company to help to exploit its research capability but had concluded it might need more than one, Dr Bowman said.

It was also scouring its laboratories for instruments developed for specific purposes that might find wider commercial markets.

Dr Bowman said the council had also made progress in finding better ways of evaluating its scientists and laboratories, as had been urged by a House of Lords select committee this month.

Annual report of the Natural Environment Research Council, 1985-86. HMSO, £5.50.

Downing Street seminar to review design progress

BY FIONA McEWAN

THE PRIME Minister is to reaffirm her commitment to the role of design in industry when she holds a second seminar on design at Downing Street next week.

On Tuesday, almost five years to the day after her first design seminar, an invited gathering of industrialists, designers, educationalists, and institutions (including the Institute of Marketing and the Confederation of British Industry), will meet for a progress report on achievements so far in conveying the importance of excellence of design in industry.

They will also consider further ways of promoting better use of design to improve competitiveness.

The seminar will concentrate on two design areas: education and training; and design for competitiveness.

The 1982 seminar on product design and market success prompted a spate of government initiatives ranging from conferences and exhibitions to award schemes and competitions.

One of the most successful efforts has been the funded consultancy scheme, which offers small and medium-sized concerns 15 days of subsidised design consultancy.

So far, nearly 3,000 projects have been completed through the government-backed Design Council, with 65 per cent of companies using design consultants for the first time. Government support for the scheme has risen from £3m over the first three years, to £7m in the present financial year. In the 1987-88 financial year, £6.9m is expected.

Mr John Butcher, Industry undersecretary with responsibility for design, said: "We realise, however, that we cannot let up the pace. Constant attention needs to be given to design and management education and training to ensure that the people involved with design in business have the right mix of skills and keep their knowledge up to date."

He also called for a wider recognition of the importance of quality and marketing.

Information sector 'needs new-technology training'

BY ALAN CANE

A NATIONAL centre should be established to give managers in the information industries re-training in the possibilities offered by new technology, according to the Paper Industry Research Association.

It estimates the cost of the centre at £200,000 for the first two years and says the first step should be to appoint a nationally-known figure to chair an advisory board and campaign for funds.

The proposal is based on a report suggesting that management in the "tradable information" industries is short of technological competence.

It says: "This lack of technical competence among senior management is to the disadvantage of those responsible for printing and publishing education. It also means that new opportunities arising from technology fail to be exploited."

The study was funded by the association and the Manpower Services Commission and took more than a year.

The centre should be established by the end of this year, the study says. It would comprise a small team of experts based at the association but looking for co-operation with centres of excellence in information technology training such as Cranfield Institute of Technology, the National Computer Centre, the ICL Training Centre and the Turing Institute.

Report on a feasibility study into the creation of a UK national re-training centre at Pira for the printing, publishing and related IT user sectors. Pira, Leatherhead, Surrey KT22 7RU. Free.

UK NEWS

Hattersley says City to blame for 'merger mania'

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE LABOUR Party's determination to make the conduct of the City, and its close association with the Government, a main electoral campaign issue was underlined yesterday with an attack on "merger mania" by Mr Roy Hattersley, the shadow chancellor.

Las year, Mr Hattersley mounted a prolonged, personal campaign to put Labour's economic strategy across to City institutions but recently his tone has become less conciliatory.

Mr Neil Kinnock, the party leader, intends to ensure that the offensive against malpractice in the City be continued and stepped up. Labour will also try to press home accusations of incompetence on the part of the Government in overseeing the City, and will continue to push for tougher action to eliminate the sort of abuses recently revealed.

Roy Hattersley: Dropping conciliatory attitude

Ministers are aware of the electoral damage which recent events could inflict on a government seen to have close ties with the financial community. They do not believe yet that the issue of economic morality in the City has done it much harm but accept that, if the issue were to remain prominent, its standing could begin to suffer.

Mr Hattersley told the Chemical Industries Association in London yesterday that the City's preoccupation with making what he described as a "fast buck" was rarely in the interests of the nation as a whole. The controversial bid by BTR for Pilkington Brothers was the latest example of an unabated mania for which the City was largely to blame.

Mr Hattersley said Pilkington was "a first-class manufacturing company" which had consistently invested in research and development but which would have to waste months of valuable management time fighting off the bid.

On Thursday, the Government had announced it did not intend to refer the £1.2bn bid to the Monopolies and Mergers Commission.

Mr Hattersley said Britain's "feeble" mergers policy encouraged companies and their City advisers to pursue expansion through takeovers which merely transferred, rather than created, wealth.

He called for a policy on monopolies and mergers, which would reduce the amount of merger activity and help the economy. "That is not to argue against all mergers but to advocate that the burden of proof must be altered so that firms show the industrial or consumer gains that would come from any merger. If a good case can be made, the merger should then be allowed," he added.

The economy's efficiency was declining as financial, rather than economic, considerations dominate decisions. A more competitive approach to the economy had to be introduced and, where necessary, imposed. The government bowed to the will of the City and its weakness encouraged an uncompetitive market, he said.

● Labour does not have "a snowball's chance in hell" of forming a majority government, Mr David Steel, Liberal Party leader, said yesterday.

He was at Bristol at the start of a series of regional tours which he and Dr David Owen, SDP leader, will make before the next general election. He said the "fantasies" of the Labour leader made it more, rather than less, likely that Mrs Thatcher would continue as Prime Minister.

Australian ruling against broker

AUSTRALIAN regulatory authorities yesterday issued a "declaration of unacceptable conduct" on the local securities associate of Alexanders Laing and Cruickshank (ALC), a UK stockbroker, over share dealings conducted through the office of the London parent.

The ruling—by the National Companies and Securities Commission (NCSC), Australia's stock market watchdog—is against May Mellor Laing and Cruickshank, which is 50 per cent owned by ALC.

In London, ALC, itself part of the Mercantile House group, said it "will challenge the commission's declaration in the Australian courts as a matter of urgency."

The firm is estimated to be carrying an A$16m (£6.95m) loss on the transaction, which it said arose from "a misunderstanding concerning the size of the order and the price at which it should be executed.

The controversy concerns share dealings late last year in Humes, a building products maker, based in Melbourne, after an A$361m takeover bid had been launched for it in July by APA Holdings, an insurance and financial services group headed by Mr Garry Carter, an accountant once with Price Waterhouse.

ALC bought 13.9m Humes shares on behalf of Western Continental, a Perth minerals and banking company controlled by Mr Yosse Goldberg. The shares are still on ALC's books, however. Against an average purchase price of A$4.20, Humes shares closed in Sydney yesterday at A$3.05.

ALC claimed it had not been paid by its client, and so had "become owner of the shares by default."

Soviet Union signs oil and gas technology transfer agreement

BY MAX WILKINSON, RESOURCES EDITOR

AN AGREEMENT has been signed with the Soviet Union which will help transfer British technology needed to develop Soviet oil and gas fields, Mr Peter Walker, Energy Secretary, said yesterday.

The agreement, welcomed by representatives of the UK supply industry, followed a week's visit by a Soviet delegation to companies supplying offshore equipment.

The agreement pledges collaboration on promoting technical co-operation in oil and gas exploration and development. It is the first such agreement to be signed by the Soviet Union.

Mr Walker said the UK had built up a wealth of experience and expertise over 20 years or more of offshore oil and gas exploration and production.

The Soviet delegation had been impressed with the breadth of British capability in offshore engineering and technology.

Mr Walker hoped the agreement might lead to future joint ventures between the countries.

Co-operation will at first be concentrated on sub-sea technology, including production systems and their control, the design and operation of pipelines and other underwater systems, production systems for deep water, low-cost oil production systems, computer-aided design, enhanced recovery systems and the decommissioning of oil installations.

Dr Dickson Mabon, chairman of the British Indigenous Technology Group, the association for offshore suppliers, said he thought the agreement was significant.

The possibility of exports to the Soviet Union was an important one for an industry facing a work shortage.

Daily Mail to cut 300 jobs in Manchester

By Raymond Snoddy

MAIL NEWSPAPERS said yesterday that 300 jobs are to go in Manchester, where northern editions of the Daily Mail are produced.

From May 11 both the composing and sub-editing operations of the northern edition will be centralised in London, where pages will be made up and sent north by facsimile transmission.

The northern edition will continue to be printed and published in Manchester and a team of reporters and photographers based in the city will continue to work under the northern editor.

Mr John Winnington-Ingram, managing director of Mail Newspapers, told a staff meeting that the changes were vital for the company's survival.

The Manchester office duplicated work done in London on the bulk of the paper. This anachronism could not be supported any longer, he said.

The changes were less drastic than some had feared. There had been union suggestions that Mail Newspapers was contemplating the virtual closure of its Manchester operations.

Lorry driving limits suspended

BY NEIL BENNETT

LIMITS on the time lorry drivers can spend at the wheel were suspended yesterday by the Transport Department.

The move follows an appeal from the Road Haulage Association and will help companies clear the backlog of work caused by severe weather this week.

The suspension of the rules, laid down by the European Community, will last 30 days, though the department may reimpose them earlier. Drivers usually allowed to spend at most 10 hours a day on the road.

They will still have to take a break after every 4½ hours.

The association welcomed the decision and said its 11,000 members would treat the suspension sensibly. "It simply means drivers will be able to spend some extra time making sure goods get through."

Travel began to return to normal yesterday as temperatures in many places rose above freezing for the first time in a week. Some areas remained cut off, however, and forecasters discounted hopes of an early sustained thaw. The London Weather Centre warned of sub-zero temperatures at the weekend.

In Kent, snowbound dairy farmers were forced to throw away milk after tankers failed to collect it. Many main roads in the county were still blocked, with snow drifts of up to 20 feet.

British Rail said most trains were running, but 16 Southern Region lines remained impassable. The region has borrowed a Beilhack 25-tonne rotary snowblower from Scotland to open lines to the Isle of Sheppey. The Swedish-built engine can clear 5,000 tonnes of snow an hour.

EEC farm ministers will meet in Brussels on Monday to decide whether to release supplies from Community food mountains so charities may distribute it to the needy.

● A snow-chain manufacturer at Wincanton has been unable to make deliveries this week because of the weather.

Weather, Back Page

ECONOMIC DIARY

TOMORROW: Department for National Savings monthly progress report (December). First meeting between the US and the EEC on trade war in Geneva.
MONDAY: EEC Agriculture Council meets in Brussels. European Parliament in session (until January 23). Retail sales (December—provisional). Public sector borrowing requirement (December). Index of output of the production industries (November). CBI budget representations. Remaining stages of the Local Government Finance Bill. Brazil to discuss debt rescheduling with the Paris Club. Saudi Arabian Oil Minister Hisham Nazer to visit Moscow.
TUESDAY: Cyclical indicators for the UK economy (December). London and Scottish Banks' monthly statement. Provisional estimates of monetary aggregates (December). Institutional investment (third quarter). Irish cabinet meets on budget. European Drugs Ministers meet in London (until January 21). Opposition debate on the Government's economic policy.
WEDNESDAY: Index of production and construction for Wales (third quarter — provisional). British Gas half-yearly results.
THURSDAY: Preliminary estimate of consumers' expenditure (fourth quarter — provisional). Burnham Committee expected to meet to discuss teachers' pay. Bundesbank Council meets.

Car imports fall sharply

By John Griffiths

IMPORTS took only 51.3 per cent of new car sales in the first ten days of January compared with 56.52 per cent in the corresponding period of last year.

This reflected moves mainly by Ford and Vauxhall to increase the proportion of sales sourced from UK plants.

Japanese makes accounted for 6.95 per cent of sales, compared with a customary yearly market share of about 11 per cent.

Total sales in the first ten days rose by 2.35 per cent to 70,083.

Ford's market share was 23.76 per cent, with Vauxhall in second place, with 17.95 per cent and Rover Group third with 16.49 per cent.

Audi/VW/Seat led the importers, with 7.69 per cent, followed by Peugeot-Talbot/Citroen with 6.96.

Belfast MP fined

BY HUGH CARNEGY IN DUBLIN

MR PETER ROBINSON, the Democratic Unionist MP for East Belfast, was fined I£15,000 (£14,400) and bound over to keep the peace for 10 years by Dublin's special criminal court last night for his part in a Loyalist raid on a village in the Irish Republic.

Mr Robinson, 38, admitted unlawful assembly. Mr Justice Robert Barr, ordered him to pay the costs of all damage caused during the incident amounting to I£2,588. Mr Robinson was the only person arrested during the incident.

Mr Robinson's counsel said the fine and costs would be paid immediately and the judge said Mr Robinson would be free to leave the court as soon as a payment was made.

Mr Robinson maintained that he attended the demonstration only as an observer and had not been an organiser.

Mr Justice Barr said in sentencing Mr Robinson that the MP, had taken part in an "obscene invasion" of the border village of Clontibret in the early hours of August 7 when a group of up to 200 Loyalists, most in paramilitary uniform

Mr Robinson had probably remained in the forefront of the mob until the point when three Irish plain clothes policemen fired a volley of shots over the heads of the crowd after two of their colleagues had been beaten, said the judge.

Mr Justice Barr accepted that Mr Robinson did not initiate or carry out any act of violence but he said his presence as a prominent political leader in Northern Ireland lent support to the activities of the others.

The judge said he and his two colleagues presiding over the case accepted that Mr Robinson had no previous convictions in the Republic,

Credit Lyonnais buys broker

CREDIT LYONNAIS, a French state-owned bank, has bought Astaire & Co, a medium-sized London broker which specialises in international shares, as part of its plans to build up an international securities business.

The acquisition, for an undisclosed sum, follows purchases of other British brokers by French banks, which are not allowed to own brokers in France.

Credit Lyonnais, which hopes for an early return to the private sector as a part of the French Government's privatisation plans, said Astaire, would form part of its capital markets division.

Terex in move to Scotland

BY NICK GARNETT

NORTHWEST ENGINEERING, a US construction equipment maker, confirmed yesterday that all Terex manufacturing in the US would be transferred to Terex Equipment in Scotland.

Northwest, based in Wisconsin, bought the Terex operation at Hudson, Ohio, this month. It had been under bankruptcy protection.

It added that it wanted to merge that business with its Terex namesake in Scotland, owned by General Motors. Northwest said it intended to buy Terex Equipment within the next few months under an option agreed when it bought Terex in the US.

The plant at Newhouse, near Motherwell, employs 750 making rigid and articulated dump-trucks from 30 tonnes to 80 tonnes carrying capacity; front-end loading shovels; motor scrapers; and a 260 hp crawler tractor.

The plant is a few miles from Caterpillar's production site at Uddingston, which is being occupied by workers after the company's announcement that it is shutting the plant with the loss of 1,200 jobs.

Mr Robert McCabe, chairman and chief executive of Terex Equipment, said he expected the throughput of work to rise by a quarter once production was transferred.

If that hapened, the company would probably need to increase its workforce.

Terex in the US, which makes a similar range of equipment to the Scottish operation but which has been operating at a very low level of activity, will become sole importer of Terex equipment for North and South America as well as providing after-sales service through its dealer network.

Exporters may seek directory listing

EXPORTING companies may apply for their names and products to be listed free in the 1988 edition of Kelly's UK Exports.

The directory is to be distributed in November to 30,000 importers in 51 countries. More than 14,000 British exporters are listed under more than 13,000 product and service headings.

A separately bound section will pinpoint export services such as banking and insurance, transport, translation and packaging. This will also be sent to 5,000 UK users of such services, including members of the Institute of Export, the Department of Trade, embassies and export divisions of leading chambers of commerce.

APPOINTMENTS

Smiths Industries aerospace chief

Mr John H. Sykes has been appointed managing director of SMITH INDUSTRIES AEROSPACE & DEFENCE SYSTEMS, Cheltenham. He has been deputy managing director since January 1984.

★

PORT OF LONDON AUTHORITY has appointed Mr John McNab as chief executive, Tilbury. Mr Jeffery Jenkinson becames chief executive, property. He relinquishes certain administrative duties to concentrate full-time on all PLA property matters.

★

Mr Colin Snape, formerly executive director of The Professional Golfers' Association and the Women's Professional Golf Association, has been appointed a director of HORWATH AND HORWATH GOLF AND LEISURE, part of the Stoy Hayward Group.

★

Mr Ronnie Cleland has been appointed a director of SELECTION THOMSON, Glasgow.

★

Following the acquisition of Schroder Financial Management by the National Mutual Life Association of Australasia Mr E. Welman, chairman, Mr E. Baillieu, deputy chairman, Mr N. Assheton, Mr W. Beatty, Mr G. Mallinckrodt, Mr E. Meyer, Mr A. Duggin, Dr R. J. Leaper, and Mr R. W. Taylor have been appointed to the board of the holding company, NM UK. Dr Leaper has been appointed as chairman and managing director of NM Schroder Financial Management and Mr Taylor has been appointed as deputy managing director, NM Schroder has also made the following executive directors: Mr E. Paton, Mr D. Stewart, Mr J. Carr, Mr I. Sampson, Mr M. Taylor, Mr P. Hanning-Lee, Mr C. Starr, Mr N. Dunseath, Mr D. Bernard, Mr P. Cashen and Mr P. Gower.

★

HOUSEMAN (BURNHAM), part of Portals Water Treatment Group, has appointed Mr John Brown to the newly-created post of special projects director. He was director of Houseman's international division.

★

Mr Peter Sim, property investment director and chief estates surveyor at Legal & General (Investment Management), has joined the board of INVESTMENT PROPERTY DATABANK as a non-executive director.

★

BUSH SIGNS GROUP has appointed Mr Geoffrey Bush as group managing director. He is a grandson of the founder of the company. Mr W. E. Staughton, group sales director, is promoted to deputy managing director. Promotion to, for Mr Ron Mendez, who moves from Hove to become divisional managing director in charge of the factory at Burgess Hill. The Forecourt Signage subsidiary at Maidstone will have Mr Ray Fowell as divisional managing director.

★

Mr Jim Head has been appointed as sales director of M. WISEPART, Tottenham, part of Whitecroft's building supplies division. Mr Head was national sales manager of Fordham's bathrooms and kitchens.

★

ANTON, domestic appliance distribution arm of Unigate, has a new managing director. He is Mr Simon Butler, a director and former general manager of the Andover-based company. Mr Butler was an executive director of BICC Vantrunk before joining Anton six months ago. He succeeds Mr Bill Crook, who formed the firm 11 years ago and stays on as an Anton director.

★

The National Association of Pensions Funds (NAPF) has appointed Mr Charles Woodward to succeed Mr Colin Lever as chairman from May. Mr Woodward is currently vice-chairman of the Association and chief executive, British Airways Pensions.

★

Following the acquisition of GROSVENOR SQUARE PROPERTIES GROUP by Associated British Ports Holdings (ABPH), a number of board changes have been made. Mr David Griffiths and Mr Timothy Bowen respectively Grosvenor Square's chief surveyor and group treasurer, have been appointed directors of the company. Mr Alan Tomsett and Mr Maxwell Creasey, directors of ABPH, have also joined Grosvenor Square's board. Mr Paul Marber remains chairman and joint managing director with Mr Peter Nelkin. Mr John Holt continues as development director. Mr Marber has also been appointed a main board director of ABPH.

★

EUROROOF, Northwich, has promoted Mr Robert Littlewood to the board as financial director. He was company accountant.

★

Mr Colin Burgess has been appointed service and installations director of THERM-A-STOR. He was national installations manager.

★

Mr Mark Cunningham has been appointed land and sales director designate of GLENLION DEVLOPMENTS, property development subsidiary of the Glenlion group. He was sales and marketing manager.

★

Mr Michael Boohan, partner in Grant Thornton, has been appointed vice chairman of the MORNINGTON BUILDING SOCIETY.

★

Mr Tracy Benjamin has been appointed a director of COLEGRAVE GROUP, responsible for the group IBA property activities particularly those in enterprise zones. Mr Benjamin is also the director of City Fax Rentals, a subsidiary of the Group, dedicated to the short-term rental of Siemens facsimile machines.

★

Mr Huw Evans, chief executive of Marlborough Stirling, has been appointed managing director of MOORGATE COMPUTER SERVICES, an associate company of The Moorgate Group. Mr Brian Stack becomes a director. Moorgate Computer Services has acquired the whole of the issued share capital of Marlborough Stirling.

★

Mr Brian Hassell has been appointed an executive director of MERCANTILE CREDIT COMPANY from January 22. He will have responsibilty for the business finance division from that date, and Mr Graham Truswell will then assume responsibility for sales development division following the retirement of Mr Ed Morley. Mr John Callender has been appointed general manager, business finance division. The company is part of the Barclays Bank Group.

Mr John Loudon, chief executive of the Alexander consulting group

ALEXANDER & ALEXANDER has formed a global employee benefits company, to be known as The Alexander Consulting Group. Mr A. M. d'Alessandro has been elected president and chief executive officer of the new company and has been appointed chairman for the UK and Europe. Mr John D. Loudon has been appointed chief executive officer; Mr R. Allan Durward becomes director and chief operating officer—UK; and Mr Brian J. Willats, director and chief operating officer—continental Europe. Other board appointments are: Mr James W. Gilchrist, finance director; Mr Stuart B. Aird, director; Mr Brian R. Gibson, director; Mr James D. Walkden, director; Mr Malcolm J. Grint, director; and Mr Ronald W. Forrest who has been appointed a non-executive director.

★

Mr Timothy Raison has been appointed a director of THE FLEMING CLAVERHOUSE INVESTMENT TRUST.

★

Mr Brian Baker has been appointed to the main board of NORTHERN ENGINEERING INDUSTRIES as commercial director. He was group solicitor.

★

EFAMOL HOLDINGS has appointed Mr James McAinsh as managing director of Efamol Ltd. He was director and general mangaer of the pharmaceutical division of May and Baker. Dr David Horrobin will become chief executive of Efamol Holdings and will retain responsibility for R and D.

★

Sir John Rogers, a non-executive director, has been appointed deputy chairman of FIRST SECURITY GROUP. Mr Harry Fox, managing director of Fire Fighting Enterprises, a subsidiary of First Security Group, has been appointed a main board director.

★

ASD, a Leeds-based distribution group, has appointed Mr Stephen Russell as deputy managing director and Mr Tom Baxter-Wright as an executive director. Mr Baxter-Wright was chief executive and managing director of GKN steelstock where Mr Russell was a fellow director with responsibility for strip mill and stainless products. They are joined on the ASD board by Mr Karel C. M. Thyssen, president and chief operating officer of McDermott International Trading Co Inc and chairman of Coutinho Caro and Co of Hamburg, who has been made a non-executive director.

★

Mr Robert Cowley and Mr Nicholas Timpson have been appointed members of the SOUTHERN ELECTRICITY BOARD for a period of three years.

★

DOBSON PARK INDUSTRIES has appointed Mr Barry L. Bruce as president of wholly-owned subsidiary, Marathon Industries Inc, Kimberley, US.

★

Mr Roger Gilley and Mr Barry Malizia, the two businessmen who created the leisure and construction group LEADING LEISURE, are taking on new roles in the organisation. They have both been acting as joint managing directors. Mr Gilley becomes projects director and executive vice chairman. He will have special responsibility for the leisure division, which includes pubs, clubs, hotels and outside catering. Mr Malizia becomes chief executive and managing director. His special field of responsibility will be gaming and property.

★

Mr David Eastwood has been appointed managing director of ABI CARAVANS. He was managing director of Hepworth Ceramic Holdings.

Changes at the Co-op

Senior management changes have been made by the CO-OPERATIVE WHOLESALE SOCIETY'S recently created retail and services division. The changes involve restructuring the food services sector. Mr Bill Waite general manager distribution group, has additional responsibility for the distribution of frozen, chilled and meat products. Mr Edmund Shaw becomes general manager packaged grocery buying. Mr Richard Mullock is promoted to the new post of general manager fresh food buying. A new team has been created to develop Co-op Brand. Heading it as general manager is Mr Campbell Weir. Mr John Crockett becomes general manager marketing.

★

Mr Geoff A. Deal has been appointed associate director of the aviation and aerospace division of ALEXANDER STENHOUSE.

★

STAG GROUP has appointed Mr Nicholas Radford as managing director of its subsidiary, Jaycee Furniture (Brighton), following the retirement of Mr Tony Brown, who will continue in a consultancy capacity and as a member of the group board. Mr Radford was with Jaycee as assistant managing director.

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mat Credit Corp. Ltd.	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Cred.	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E.T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bank	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambros Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shanghai	11		
CL Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Megiral & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¾% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

Peter Riddell on the decision that cleared BTR's Pilkington bid

Channon sticks to the rule book

MR PAUL CHANNON, the Trade and Industry Secretary, acted strictly within the spirit and letter of the law in deciding personally that the BTR bid for Pilkington should not be referred to the Monopolies and Mergers Commission — to the irritation of some of his more politically minded ministerial colleagues and a large number of Tory back-benchers.

Paul Channon: acted within letter of the law

It was not always so. In February 1970, the Cabinet's economic strategy committee met to discuss whether the proposed Reed takeover of IPC, owners of Mirror Newspapers, should be referred to the commission.

Mrs Barbara Castle, the responsible minister, narrowly favoured reference.

But, as she records in her diaries, others were more sceptical. "Harold (Wilson, the Prime Minister) jumped in to say he hoped we would look at this thing politically. He knew of various highly politically motivated plans to take over IPC.

"If this happened, we should be left without a single favourable newspaper." That view won the day.

The current law is clear. The final decision on whether to refer a bid to the commission lies with the Trade and Industry Secretary or one of his ministers.

It is not a matter for collective ministerial decision-making and, while market speculation that a bid is coming up on the Cabinet's agenda may have been valid in the 1960s and 1970s, it is no longer true.

There is, however, a fine line between the quasi-judicial role of the Trade and Industry Secretary and the frequently highly political nature of many bids. Back-benchers, other ministers and even the Prime Minister have views and express them.

The procedure ensures any qualifying bid is considered by the mergers panel. This consists of civil servants from all departments involved and is chaired by Sir Gordon Borrie, Director General of Fair Trading, or his deputy.

Sir Gordon is not required to accept the panel's view. He puts forward his personal recommendation to the Minister for Corporate and Consumer Affairs, at present Mr Michael Howard.

The Minister then consults with his officials before making a recommendation to the Trade and Industry Secretary. This usually happens very quickly.

Crude politics can intervene at various stages. The views of Whitehall departments can first be expressed on the mergers panel—for example, the Ministry of Defence's opposition to last year's proposed GEC takeover of Plessey.

Sir Alex Fletcher, who was the responsible minister in the 1983-85 period, recalls a number of people coming to see him about bids, including local MPs, union delegations and the chairmen of the affected companies.

He listened, asked questions but gave no hint of his views.

Similarly, earlier this week a group of MPs, both from the north-west and others, including Mr Michael Heseltine, saw Mr Channon to urge a reference of the bid for Pilkington.

There are also discussions between DTI officials and the Office of Fair Trading about factors which should be considered. Sir Alex says that once or twice Sir Gordon came and spoke to him.

Other ministers might express a view on, for example, regional or defence aspects. The classic example was the furore five years ago over the rival bids for the Royal Bank of Scotland.

The Scottish Office and the Governor of the Bank of England semi-publicly intervened to take sides. A meeting had to be held under the chairmanship of the Chancellorship to lower temperatures.

At the end of the day, however, it is up to the Trade and Industry Secretary.

Sir Alex agrees with the way the Pilkington reference was handled procedurally, as well as with the decision. He sees no need for other DTI minitsers to become involved.

However, he points out that the Trade and Industry Secretary often keeps the Prime Minister's Office closely informed about proposals, to give her the chance to raise any objections.

On this occasion Mrs Thatcher was apparently only informed on Thursday morning, at the time of the announcement. The three DTI ministers were in the same position.

Their argument is that it would have been politically sensible for them to have been consulted informally not least so that they could have been fully committed to the decision. But Mr Channon followed the rule book.

A whiff of earlier less clear-cut days came during the Commons exchanges from Mr James Callaghan, a former Labour Prime Minister, who suggested that if the Trade and Industry Secretary could not express an opinion because of his responsibilities, the Prime Minister should call in the chairman of BTR and tell him the majority view in the country, and probably in the Commons, was against the bid and that she should invite him to withdraw his offer.

Barbara Castle: faced decision on IPC takeover

Most Tory MPs appeared to prefer Mr Channon's approach, whatever their reservations about the bid.

In the past, references to the commission have been to kick an issue into touch. The DTI ministers argue that the regional and research aspects of Pilkington merited at least a second look by the commission.

However, Mr Channon stuck to the July 1984 policy of making competition the primary yardstick for a reference and no one maintains that any question of monopoly arises in this case.

However, in a lecture on Thursday, Sir Gordon conceded that, apart from competition, other matters might merit investigations in the public interest, such as the riskiness of the proposed financing of the bid — a clear reference to the Elders/Allied Lyons bid.

A number of Tory MPs feel the relevant factors for a reference should be widened to include research and development and the future of small and medium suppliers.

Hence the result of the BTR/Pilkington row is likely to increase the pressures on Mr Channon as he completes his review of competition policy.

Guinness statement to shareholders

SIR NORMAN MACFARLANE, the new chairman of Guinness Plc, wrote to the company's shareholders yesterday. This is the text of his letter:

"I am writing to you at the earliest opportunity — following my appointment on January 11 1987 as chairman, for the time being, of the company — to inform you of the background to recent developments concerning Guinness.

"On December 1 1986, it was announced that the Department of Trade and Industry had appointed inspectors to inquire into the affairs of Guinness and into its membership. Your directors still have not been informed of the full scope of the inquiry and there appears to be a possibility that it could continue for some considerable time. Guinness has been co-operating, and will continue to co-operate fully, with the inspectors so as to permit the earliest possible conclusion of their inquiry.

"Since certain information was made available early last week, the board has acted swiftly and decisively to deal with allegations of possible misconduct and, at its meeting on January 14 1987, it unanimously confirmed its determination to overcome these difficulties. As part of this process, it is resolved to ensure that stockholders are promptly given a full statement of the current position and that subsequently you are kept informed as fully as practicable.

"Mr Ernest Saunders decided, on January 9 1987, to stand aside as chairman and chief executive until the outcome of the DTI inquiry. At its meeting on January 14 1987, the board unanimously decided that all connections between Mr Saunders and the company should be severed forthwith. The board has, therefore, terminated his position as chairman and chief executive and has urged him to resign his office as a director. In addition, letters have been sent to Dr Arthur Furer, chairman of the supervisory board of Bank Leu AG, and Mr Thomas Ward, a partner of Ward, Lazarus, Grow and Cihlar, inviting them to resign.

"Mr Olivier Roux resigned as a director of the company on January 12, 1987.

"On January 11, 1987, the board established an executive committee, reporting to the board, comprising the three group managing directors, namely Mr Victor Steel, Mr Brian Baldock and Mr Shaun Dowling, to be responsible for the day-to-day running of the business. In addition, Mr James Bryant, an executive director of Lazard Brothers, has been seconded to the company as finance director.

"In order to give every support to the executive team, Sir David Plastow was elected deputy chairman on January 14, 1987. Mr Edward Guinness, who was due to retire on January 20, 1987, was also invited to remain on the board from that date as a non-executive director in order that his wide connections in the licensed trade should continue to be available to the company.

"The board has also reviewed the question of its advisers. Lazard Brothers have been confirmed as financial advisers. Price Waterhouse, the company's auditors, are continuing investigations in order to assist the board in achieving its objectives. By mutual agreement, Kingsley Napley have ceased to act as legal advisers to the company and Herbert Smith have been appointed in their place. In addition, the company has once again appointed a second firm of stockbrokers: James Capel and Co, have been appointed to act alongside the company's existing stockbrokers, Cazenove and Co.

The board has acted swiftly and decisively to deal with allegations

"On December 18 1986, it was announced that, last May, a wholly-owned subsidiary of Guinness became a limited partner in the newly formed limited partnership, Ivan F. Boesky Company, LP, with a $100m participation — very much larger than that of any other limited partner. The general partner of this partnership is controlled by Mr Ivan F. Boesky. I regret to say that the precise circumstances of your company's investment have still to be resolved and, as a result, it is not possible for me to give you any indication at the present time of the value of this investment. Every effort is being made to clarify the situation and to protect Guinness's interests.

"In the last two weeks, a number of serious disclosures have been made to the board and I feel it is important that I inform you forthwith of their main substance. It has been alleged that, during and after the bid for Distillers, substantial funds of the company were applied in a widespread series of transactions involving both the purchase of its own shares and the giving of financial assistance with a view to their purchase. In particular, it has been established that substantial purchases of both Guinness and Distillers shares were made by wholly-owned subsidiaries of Bank Leu AG on the strength of Guinness's agreement, signed on its behalf by Mr Ward or Mr Roux, to repurchase the shares at cost plus carrying charges—an agreement which, at least as regards its own shares, Guinness could not lawfully have fulfilled. It is also alleged that these purchases may have been financed by lines of credit granted by Bank Leu AG. In connection with these purchases, and in apparent breach of Companies Act requirements, a Guinness subsidiary made a deposit of £50m with a Luxembourg subsidiary of Bank Leu AG. The present position is that the £50m deposit remains and a total of approximately 41m Guinness shares are held by the Bank Leu Group.

"As you may have read in the Press, some uncertainty surrounds the ownership of 2.15m Guinness shares registered in the name of Down Nominees Limited, a company owned by Henry Ansbacher and Co Limited, and the precise nature of a deposit of £7.6m made in May by Guinness with that bank.

"In addition, as part of their work on behalf of the company, Price Waterhouse, the company's auditors, identified a series of invoices totalling approximately £25m for fees paid to third parties for advice and services believed to be in connection with the Distillers bid. As yet no satisfactory explanation has been provided for these invoices and the board is concerned that some or all of them might have involved payments by Guinness in return for share buying activity in support of the Distillers bid.

"All of the above matters are being investigated in depth, not only by the inspectors appointed by the Department of Trade and Industry but also—as a matter of greatest urgency—by the board and its advisers. In addition, careful consideration is being given to the future of the Guinness shares held by the Bank Leu group. The situation, however, is extremely complex and I cannot responsibly give you any further information until our investigation has established the facts.

"The board has also had reported to it the circumstances in which the Dewar's trademark was "conditionally" assigned in late 1986 to Schenley Industries, Inc, the US distributor for Dewar's for many years. This action was taken on the advice of Ward, Lazarus, Grow and Cihlar, the company's US legal advisers, with the objective of protecting the leading Scotch whisky brand in the US market from erosion by unauthorised imports. The company is confident that this assignment will not adversely affect the Dewar's business that the company currently enjoys in the US market.

"Although the board is determined to complete its own investigations with the utmost despatch, it is most unlikely, in the light of all the uncertainties, that the company will have completed the necessary technical legal and accounting requirements to enable the interim dividend announced on December 10 1986 to be paid on January 30 1987, as originally intended. A further announcement about the payment of this dividend will be made as soon as possible.

"The principal management task facing Guinness at the present time is to capitalise on the substantial progress which has already been made in relation to its underlying business. Your board believes that the company has available in depth, the management resources and talent required to succeed in this endeavour. I should like to emphasise that each of the three operating groups continues to be run by its own managing director, namely Mr Victor Steel for the beverage group, Mr Brian Baldock for the development group and Mr Shaun Dowling for the commercial group.

"Your company is now a world force in consumer branded goods and substantial progress has been made in developing the company's businesses. The future strategy is clear, and firm plans have been made and are being implemented. Recent figures reviewed by the board show that the current trading position is good and that trading prospects are encouraging.

"I would like to emphasise that your directors are fully aware of the seriousness of recent events, about which they are deeply concerned. You have my personal assurance, and that of my colleagues on the board, that information will be given to stockholders as and when we are in a position to give it, and that there will be no question of covering up any irregularities which may come to light."

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UK NEWS—LABOUR

NUM leaders say Labour should treble coal output

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS OF the National Union of Mineworkers are demanding that a future Labour Government should almost treble coal production to 200m tonnes a year by the end of the century.

The demand, in a new plan for coal from the NUM, has seriously worried Labour Party leaders, who are trying to draw up a coherent energy policy, bringing together thinking on a range of contentious issues such as nuclear power and coal and gas renationalisation.

Labour's energy committee, headed by Mr Stan Orme, the party's energy spokesman, has been working on a draft policy document, but its planning has been thrown into some disarray by the unexpected arrival of a document from NUM headquarters in Sheffield on energy policy.

Although the document has been put forward as the union's submission to the committee, members of the NUM's executive insist that it has not been put to the executive for consideration, or been approved by it.

The believe it has been produced by full-time NUM officials under the direct guidance of Mr Arthur Scargill, the union's president. Some of them plan to challenge the document's authority at the next executive meeting.

Mr Orme is to meet Mr Scargill and Mr Peter Heathfield, NUM general secretary, on the submission next Thursday.

Deep-mined coal production for the year to March is estimated to be just over 70m tonnes, but the submission asks the Labour Party to agree to a deep-mined production level of 200m tonnes by the end of the century, rising to 240m tonnes.

The submission adds that all mines closed since before the start of the 1984-85 strike should be reopened.

Labour Party leaders are astounded at the scale of the proposals, and believe they cannot be achieved. Even with all the pit closures and job losses since before the strike, production has been cut by only 8m tonnes. Virtually to treble present production levels would mean huge increases in financial support for coal and the sinking of many new pits.

Labour wants a role for coal in its energy policy but believes it must take a balanced approach.

● Lord Marshall, chairman of the Central Electricity Generating Board, has privately told Labour Party leaders that the electricity supply industry can accommodate Labour's plans to decommission the nuclear power industry, provided that the Sizewell B nuclear reactor is allowed to be built.

AEU seeks recognition after Hyster job losses

By Helen Hague, Labour Staff

THE AMALGAMATED Engineering Union is pressing for recognition rights at the non-unionised plant in Irvine, Ayrshire, of Hyster, a US forklift truck manufacturer.

Many of the plant's manual workers have joined the union after management made 30 nightshift workers redundant without warning eight days ago.

The chairman and three committee members of the company works council were among those who lost jobs. The committee says local management has breached long-standing redundancy procedures. Most manual workers went on strike in protest against the job losses.

Nearly four years ago, workers accepted a 9.8 per cent cut in basic rates in return for a £40m investment plan to secure the plant's future.

At the time, Hyster said it hoped to create 1,000 jobs in Irvine over five years. The company then had 500 employees and it now has 540.

The AEU, which says it had some members at the plant before last week's events, has sought recognition in the past without success.

At a meeting late last week, strikers filled in union application forms after being addressed by local AEU officials and by Mr David Lambie, Labour MP for Cunninghame, South. The union immediately contacted the company to press for recognition.

Mr Alistair Campbell, the union's assistant divisional organiser for the west of Scotland, said last night that the company was willing to talk to union officials and workforce representatives if work resumed immediately.

However, the plant management were refusing to rescind the redundancies.

Today, a meeting of strikers will decide whether to stand by their earlier decision not to return to work until their 30 colleagues are taken back

Hyster said: "Union recognition is a matter between the management and the workforce. There must be a return to work before any discussions on recognition can take place."

Philip Bassett looks at a growing trend in industrial relations

Tapping into views of employees

SURVEYS of employees—asking them directly what they think—is increasingly one of the more sophicated techniques being practised by managers in the search for greater efficiency and effectiveness.

At present, the techniques are relatively uncommon in the UK. The authoritative second Workplace Industrial Relations Survey, published recently, found that they were used by only 12 per cent of establishments with, interestingly, a higher proportion in the public than the private sector: an unusual case, according to the survey's evidence, of public sector organisations leading the way in industrial relations practices.

However, according to Ms Jenny Davenport, a freelance organiser of such surveys, the use is increasing. "The impression I get is that it is growing very rapidly."

On Monday, she is due to chair a conference, organised by the Industrial Society, which will give an indication of the extent of the use of the technique and examples from companies that have carried out surveys.

Most are US, operating in the UK, which seems to confirm the impression of the technique being US-based. Surveys are a staple in IBM, the world's largest computer company, which which will report to the conference. IBM in the UK surveys its workforce every two years, with the results going to make up an extensive databank on employee attitudes stretching back more than 20 years.

Few, if any, companies operating in the UK can match that. Most are not regular users of surveys: many tend to deploy them once, either to test the value of the idea or to obtain information on a particular issue. Though many intend to repeat the process, few do so with the same purpose as IBM.

Mr Peter Kippax, personnel manager at the Sheffield-based carbon products division of Union Carbide, mounted a survey last year principally on the effectiveness of the company's communication and quality circle programmes. He found the exercise useful and may repeat it in two to three years.

Union Carbide found much lower response rates—only about 50 per cent—than the 99 per cent achieved now by IBM, and found in its highly unionised manufacturing environment some opposition

Prime Computer UK—primarily a marketing and services arm of the US company—is non-union, but sees that as a reflection of the status, training and professionalism of its employees.

Prime has found the surveys it has carried out useful in moving beyond the key threshold of 500 employees—moving from being a large small firm to a medium-sized company with potential communications problems.

Most employees — especially if they are in unions—haven't yet had to deal with attitude surveys. Trade unions are starting to come to terms nationally with the use of opinion sampling by management, political parties and the media. To gear into company surveys will be an even slower process and one in which the likely growth of attitude surveys may outpace them.

Employers give up attempt to compromise on teachers' pay

BY DAVID BRINDLE, LABOUR CORRESPONDENT

LOCAL authority employers have given up their attempt to reach a compromise with the Government over a formula for settling the long-running teachers' pay dispute in England and Wales.

Following a meeting with Mr Kenneth Baker, Education Secretary, on Thursday night, Mr John Pearman, the employers' Labour leader, said in a statement yesterday: "Unilateral imposition by the Secretary of State of his own settlement now seems inevitable."

There remains, however, the initiative being mounted by the Professional Association of Teachers—the small no-strike union which has in recent weeks been in discussions with the Education Department on bridging the gap between the Government and the employers.

Mr Peter Dawson, the PAT's general secretary, said yesterday he would next week send a final version of a series of possible compromises to the department, the employers and the five other teaching unions.

Mr Pearman's statement would seem to mark the death of the pay and conditions agreement reached last November between the employers and, eventually, two of the three leading unions. The agreement was ratified — though not submitted to the Education Secretary for automatic implementation — by the statutory Burnham Committee 10 days ago.

Mr Baker regards the 16.6 per cent 15-month agreement as too costly, as offering too high a salary maximum (£15,058) to most teachers, and as providing to few incentives for able individuals.

The employers had been striving to meet these points, but had encountered resistance from the signatory unions. In particular, it had been found impossible to increase the number of levels of incentive payments to more than three — two being in the agreement and four being Mr Baker's bottom line.

Mr Pearman said yesterday: "The Secretary of State has made it clear that he would not be prepared to accept the kind of structural change to our agreement with the unions that we have been considering.

"There therefore appears to be no point continuing our search for compromise."

Warning that imposition of a pay and conditions settlement would cause "chaos" in the administration of education, Mr Pearman said the only sure prospect for peace lay in Mr Baker withdrawing his legislation which would abolish Burnham, introduce an interim pay advisory committee and give him powers to impose his terms.

This legislation is due to receive Royal Assent by the end of February. First, however, it has to go through its committee stage in the House of Lords on January 26 and 27, with substantial support expected for amendments.

Meanwhile, Mr Baker is likely to encourage the PAT's initiative—which makes provision for four levels of incentive payments—as a means of demonstrating at least some union input for his preparation for a settlement.

Caterpillar workers to step up fight

By Jimmy Burns, Labour Staff

WORKERS occupying the US-owned Caterpillar plant at Uddingston, near Glasgow, were preparing to this weekend spread industrial action against the company because of its apparent refusal to reconsider closure and the loss of 1,200 jobs.

On the third day of the workers' sit-in yesterday, local union officials announced a meeting of the joint occupation committee for Sunday.

Mr John Brennan, shop steward convenor at the plant, said: "We shall be discussing ways of escalating our action. The end of the occupation will not be a subject for discussion."

Mr Brennan said the two unions leading the occupation—Apex, the white-collar union, and Tass, the manufacturing union—were prepared to meet the company's management "any place and at any time" to negotiate the long-term job security of the workforce.

He stressed, however, that nearly 400 workers occupying the plant were determined to sit it out as long as the management insisted on closure.

Senior US executives of the parent company are expected in London early next week for a meeting with Mr Malcolm Rifkind, Scottish Secretary. Mr Rifkind has described Caterpillar's closure announcement as "deplorable and inexplicable."

Caterpillar's local managers, meanwhile, have set up temporary offices at a Glasgow hotel.

Mr Nelson Brown, the plant's employee relations manager, said the company was prepared to meet the workers.

However, the company is insisting that the occupation be lifted before any talks get under way. It has given no indication that it is prepared to reverse its decision to close the plant.

Caterpillar's closure announcement on Wednesday came less than four months after it publicised a $1bn (£664m) 10-year investment programme

Thames Water warned over pay talks move

By Our Labour Staff

UNION LEADERS representing 9,000 Thames Water employees yesterday warned of "various actions" if the water authority's board failed to meet the unions over plans to withdraw from national pay bargaining.

The joint union committee at Thames Water said announcement of the plans in December were seen as an attempt to intimidate the workforce and worsen conditions.

Thames Water looks unlikely to agree to meet the unions at board level. The authority said last night that at its December meeting the board had delegated responsibility for implementing the plans to its executive.

● The dispute at Group Four Total Security ended yesterday when more than 100 cash and transit workers at the company's depot at Wapping, east London, agreed to return to work on Monday after negotiating a settlement.

The workers had been on strike since last Monday over Group Four's plans to replace a long-standing pay and productivity agreement. The settlement will give them a lump-sum payment equivalent to the amount they will lose over the next two years—up to £20 a week, according to Matsa, the white-collar section of the GMBU.

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Benign neglect revisited

THE BRITISH economy, weather permitting, seems to be working to secure a third term for Mrs Thatcher. The fall in unemployment, now into its fifth month, owes more than a little to the Government's various job-creation schemes, but cannot be entirely explained away in this fashion; the rise in employment, and especially in unfilled vacancies, confirms a picture of rising activity. The figures for earnings offer confirmation. Although the Government continues to regard them with foreboding, there has been a marked change for the better: settlements reached across the bargaining table are indeed moderating, but earnings growth is maintained by rising overtime working.

Some City economists now believe that the underlying performance of the economy is so strong that high earnings are fully justified where it matters—in the industries engaged in international trade. They claim that output is systematically understated in the official figures, partly because the statisticians take a long time to catch up with the growth of new industries and attach undue importance to old industries in decline.

Adjusting for this bias, which has certainly been there in the past, they surmise that British competitiveness is not, after all, being eroded. The rest of the evidence, not only from the employment figures but from output prices and business surveys, does lend some support to this cheerful conclusion, but it is very far from proved

Dollar tension

Now for the bad news. Frost and snow are not the only kinds of weather which could hamper the performance of the British economy this year. Britain relies on international trade, and the trading climate, whether across the Channel or across the Atlantic, is beginning to look distinctly chilly.

World tensions are showing up, as they usually do, in the currency markets, where there is much tension over the dollar exchange rate, and over the economic policies which underlie its weakness. The Americans are struggling to correct an enormous trade deficit through which it is incurring foreign debts of some $500m every day.

Any country trying to live within its means must tighten its belt in some sense, and the US Treasury Secretary, Mr James Baker, has been trying to persuade the surplus countries to help the process by increasing their own demand for world exports. Failing that—and despite some misgivings at the Federal Reserve Board — he is happy enough to let the dollar resume its steep decline of the past two years, until some foreign suppliers find the US market unrewarding.

This strategy is almost exactly the same as that pursued a decade ago by President Carter's Treasury Secretary, Mr William Miller, who coined the phrase "benign neglect" to describe his policy towards the dollar; and the reactions of the surplus countries, and notably of Germany, also seem little influenced by a decade's experience.

The replay seems likely to have a different ending, though. In the first encounter the monetarist arguments of the Germans won the day. In 1979 Mr Paul Volcker took over at the Fed, and by October, benign neglect came dramatically to an end. The US financial system was subjected to an unprecedented squeeze, interest rates shot up, and before long the world was in a sharp recession, corrected later by the tax-cutting programme which caused first a boom, and then a seemingly incurable pair of deficits, in the US budget and the US balance of payments.

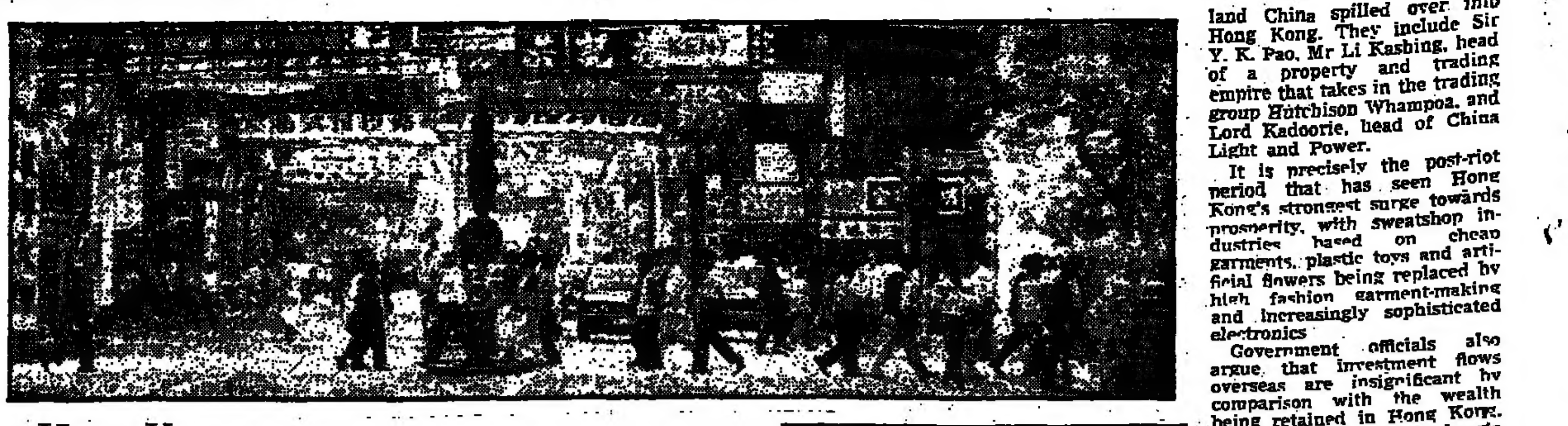
Academic battle

A new run on the dollar could still, in theory, force the Fed to impose another dramatic squeeze and cause another sharp world recession; that is the nightmare which Mr Stephen Marris, an OECD veteran, has been proposing for some time. The fact that the dollar has fallen so far without disaster does make the prediction less plausible; the issue is now a fall of perhaps 10-15 per cent in the dollar, not too large an addition to the vast correction already achieved.

What is clear, on the other hand, is that the US adjustment, when it does begin to bite, will be deflationary, and that any corrective action this time will have to be taken in other countries. The Germans and the Japanese seem stoically resigned to the pain of lost profit margins and some lost markets in the US, for they are aware that the alternative to dollar devaluation — a trade war — would be equally painful in growth terms and far more difficult to correct. However, they seem reluctant so far to do anything about it.

This is in a sense an academic battle on a world scale. The US arguments, concerned with the level of world demand, are essentially Keynesian; the surplus countries remain monetarist, though the Americans believe that a real recession would soon achieve an intellectual conversion.

Meanwhile, however, the British recovery is potentially threatened. Growing out of step with a recessionary world sucks in imports and depresses exports, as the US has shown, so the British performance could lead to a big balance of payments deficit. Mr Neil Kinnock sees this as a political issue. If the major economies cannot settle their technical disputes, he could be right.



Hong Kong

The years of the democracy dogfight

By David Dodwell

Dr David Wilson. Hong Kong'sp new Governor, whose jurisdiction covers bustling Kowloon (above)

SOME SAY Hong Kong is a jittery city, others that it remains one of the most buoyant and promising economies in the world. Events in China over the coming years will determine who is right, and few people realise this as clearly as Dr David Wilson, the territory's newly-appointed Governor.

On the surface, circumstances in Hong Kong could hardly be better. The economy is buoyant and the stock market at a record high. Foreign investment in all sectors is strong and inflation is low. The territory boasts full employment and a recent Gallup poll across 32 countries found Hong Kong people the most optimistic in the world about prospects for 1987.

But at a political level, a roller-coaster year is in store, with a review of political reforms almost certain to unleash adversarial politics on a community that still cherishes the idea of decision-making by concensus.

Dr Wilson will have his hand full from the moment he sets foot in the territory, and will not be helped by an unprecedented changing of the guard in the local administration that puts a new boy—or girl—at the head of almost every government department. The changes result from the domino effect set off by the retirement of two key funchionaries at the very top of Hong Kong's civil service.

In other respects, Dr Wilson inherits a mood of goodwill between Britain and China that is unprecedented in Hong Kong's 144-year history. At a public level, the Queen's visit to China and Hong Kong in October is regarded as a major diplomatic success in spite of some embarrassing slips of the tongue by the Duke of Edinburgh.

More discreetly, the discussions on Hong Kong's future in the Joint Liaison Group, the Land Commission, and in a host of less formal contexts, has begun to break down Peking's deep distrust of the colonial administration in Hong Kong.

There could be no better symbol of this improving co-operation than Peking's support this week for the Hong Kong Government's decision to raze the Kowloon walled city — a 30,000 sq yd pocket of squalor in the heart of urban Hong Kong that is nowadays neither walled nor a city, but has for almost 90 years been defended adamantly as Chinese territory.

Within the next three years, the walled city's 40,000 residents will be resettled and the area flattened to become a park. When 60 teams of housing department officials swarmed into the city last week to conduct preliminary surveys — each team accompanied by a plain clothes policeman — resistance dissolved as soon as it became clear the move had Peking's blessing.

Peking has made a variety of appeasing gestures intended to calm ragged nerves and buoy confidence in the future of the territory up to and beyond 1997, the date agreed for the transfer to Chinese sovereignty. In stark contrast with the sabre-rattling so frequent during the two years of secret negotiation over the transfer, China's diplomats have been meticulously low-key in voicing complaints or unease.

A steady flow of Chinese working groups have bent over backwards to glean a wide spectrum of opinions in the territory, and have resisted the temptation to pontificate.

"During the Sino-British negotiations, Chinese officials were often very arrogant about Hong Kong. They felt they knew the mood here and were confident that people were loyal to the motherland," says one British official in Hong Kong.

"They now realise that it is much more complex than that. They are showing more sensitivity, more awareness of the distrust. They realise that an eight-year track record of opening up to the outside world is not long enough."

Even so, sceptics say Peking will never understand the "liberty without democracy" that is credited for much of the dynamism and progress in the teritory over the past three decades. It is a liberty backed by Britain's democracy, if not Hong Kong's own, and administered by a dispassionate and meritocratic civil service. Many wonder how China will provide such backing after 1997.

Mr Martin Lee, QC, a local Chinese member of Hong Kong's Legislative Council and one of a tiny minority of those outspoken sceptical about the territory's future under Chinese rule, asked recently: "Can we be sure that our freedoms will be safeguarded by the National People's Congress in China, which has a Communist system and where the Communist Party is, in practice, above the law?

The recent clampdown on student campaigns on China's campuses for a higher degree of democracy can only underscore such concern and has prompted many in Hong Kong to wonder how students in the territory's two universities view political developments on the mainland.

This can only fuel concern that the debate in Hong Kong over the coming months on the pace and direction of political reform, will be acrimonious, divisive, and destabilising. Debate will focus on the government green paper on political reform, due to be published before June, which is intended to lay the ground for Legislative Council (Legco) elections in 1988.

At present no one is directly elected to Legco, though indirect elections were introduced for the first time in 1985. The keenest debate of the summer is likely to be about whether direct elections, based on the western democratic model, should be introduced.

After years of patriarchal consensus politics, a Pandora's Box has been opened with noone quite sure what will emerge.

Martin Lee is adamant that the "oligarchy of the rich" that has characterised Hong Kong's government in the past must be replaced with more democratic government that will be the only safeguard against future political interference from Peking.

Pitched against him are representatives of Hong Kong's business community, who are eloquently represented by Dr Helmut Sohmen, son-in-law of Sir Yue-Kong Pao, and chairman of Worldwide Shipping. "Democracy cannot be put on and taken off like a shirt according to the temperature," he insists, arguing that it is not "the panacea for all evils of modern existence nor the guarantee for happier and more prosperous lives."

He is a figurehead in the "group of 71," the conservative-orientated faction inside the Land Consultative Committee that has been brought together by Peking to advise on Hong Kong's constitution after 1997, and he argues. "All reforms should avoid change that is unpredictable in its consequences, patently not adding to our resources, or can damage our proven strength which lies first and foremost in our position as a commercial centre of global significance." He asks why politicians want to tinker with "a proven formula for success," impose "untried, alien and as yet ill-understood concepts and systems into our body politic," create more room for confrontation through the creation of political factions, and pre-empt constitutional arrangements now being drawn up by Peking.

It is fascinating to observe such textbook debate over political principles, and many locally are tempted to assume as a result that HongKong offers a blank page onto which an ideal political model can be written. As political figures realise over the months of debate ahead that they inherit a page that is littered with complex and contradictory text, a damaging disillusion and cynicism could set in.

The instinct of most wealthier people has been not so much to campaign for copper-bottomed guarantees about their future liberties as to secure foreign passports and thus bolt holes for themselves in countries like Canada, the US and Australia. In classic Chinese style, they are hedging their bets, and the pressing concern of the Hong Kong Government has been whether this bet-hedging habit is draining such resources out of the economy that critical investment for the future of the territory's industries are not being made. It is not yet clear whether such anxiety is well-founded.

Evidence of local manufacturing investment in most sectors is mixed, with capital equipment imported for use in Hong Kong —a raw measure of investment, but the only one the territory has — rising in the past six months after four consecutive years of decline.

On the other hand, it is estimated that Hong Kong people have invested more than $5bn in Canada in the past five years, with flows on a similar scale to Australia and the US.

Officials insist this need not be bad news. Some of the territory's most prominent businessmen have been investing large sums overseas since 1967, when riots linked with the Cultural Revolution in mainland China spilled over into Hong Kong. They include Sir Y. K. Pao, Mr Li Kasbing, head of a property and trading empire that takes in the trading group Hutchison Whampoa, and Lord Kadoorie, head of China Light and Power.

It is precisely the post-riot period that has seen Hong Kong's strongest surge towards prosperity, with sweatshop industries based on cheap garments, plastic toys and artificial flowers being replaced by high fashion garment-making and increasingly sophisticated electronics.

Government officials also argue that investment flows overseas are insignificant by comparison with the wealth being retained in Hong Kong. Bankers say the territory boasts an estimated 150,000 people who are millionaires in Hong Kong dollar terms, and about 1,300 who control more than HK$125m (US$16m).

Among the millions of "small potatoes" who see no prospect of ever accumulating the wealth to buy themselves a foreign bolt hole. Most feel they have nothing much to thank the British for, and expect nothing better or worse once Peking assumes sovereignty.

If the economic growth of the past 12 months can be sustained into the 1990s, political worries are likely to remain subdued. Most economists say economic growth amounted to more than 7 per cent in real terms last year, with exports likely to have surged by 19 per cent, re-exports by about 15 per cent and imports by just under 20 per cent.

Sales to West Germany, aided by a 24.5 per cent depreciation of the Hong Kong dollar against the D-Mark, have soared by 40 per cent, with exports to France up by 47 per cent and to the notoriously impenetrable Japanese market by 29 per cent.

Trade with China—which eight years after opening up to the outside world is Hong Kong's most important partner —has also picked up strongly as the thousands of joint venture factories in Guangdong Province neighbouring Hong Kong have begun exporting on a substantial scale. Hong Kong accounts for almost a quarter of China's total trade, while Hong Kong accounts for almost a quarter of China's total trade, while Hong Kong businessmen account for 60 per cent of all foreign investment in China. As China's exports grow, so the benefits to Hong Kong entrepreneurs are likely to be substantial.

China's investments in Hong Kong are immeasurable, ranging from literally hundreds of trading companies to major banks, and manufacturers in every sector. If Peking does not already see it as China's main financial centre, its foremost trading port, and one of the most important conduits for the country's international trade and investment, then many are confident that it soon will.

Among them no doubt, will be Dr Wilson—an expert on Hong Kong and on China, who has solid first hand experience through leadership of the Sino-British joint liaison group of Peking's perspective on how Hong Kong should evolve

He inherits goodwill from Peking, and an apparent conviction in Hong Kong that he is the right man for the job. Whether he has the seniority in Whitehall to command similar confidence there is a matter that only time will resolve. So too is the question of how well he will manage a civil service increasingly vulnerable to a collapse in morale

The boardroom mutiny which saw off Mr Saunders

By Richard Lambert and Clive Wolman

IT WAS at six o'clock Friday evening one week ago, that the three senior managing directors of Guinness, Mr Brian Baldrock, Mr Vic Steel and Mr Shaun Dowling, walked into their last meeting with Mr Ernest Saunders, the company's chairman and chief executive.

Mr Saunders, who had become increasingly cut off from his fellow directors, had been told that the meeting at the company's West End headquarters was about a routine communications matter. In fact the three executives, whom he personally recruited and who he claimed would always stay loyal to him, had just one purpose: to force him to leave.

"It was an unfortunate, unhappy, emotional meeting," says one participant. Mr Saunders protested that he knew nothing about the various illegal activities disclosed in a letter that his finance director, Mr Oliver Roux, read out to the other directors at the Guinness headquarters four days previously. He has stuck to that position ever since. But the executives gave him little opportunity to restate his case. They just kept repeating their demand. At 7.20 Saunders accepted the inevitable and agreed to step down for the duration of the inquiry of the Department of Trade and Industry.

On Wednesday night, he was sacked by a full board meeting and the company went on to publish an outline of its possibly illegal activities.

Even now, however, his fellow managers insist that Mr Saunders was an outstanding leader with a unique grasp of the complexities of brand marketing. They are, however, at a loss to explain why he and Roux were prepared to jeopardise the company—and their own own jobs—by apparently breaching the Companies Act on such a scale. The two men initiated purchases of Guinness's own shares worth nearly £200m in order to boost artificially its share price, thus enhancing the value of its offer for Distillers, during the takeover battle last year.

How did they expect to conceal the transactions, in particular frocm the company's auditors, Price Waterhouse, which has been examining the company's books since October? And how did they succeed in concealing the transactions from their fellow directors and other employees for so long?

The first indication that the directors received of any embarrassing actions during the takeover battle was when they were told in July that the company had invested $100m in a partnership managed by Mr Ivan Boesky, the New York bid arbitrageur. Boesky, who subsequently admitted to large-scale insider dealing, was a heavy buyer of shares in support of Guinness during the takeover battle which Guinness won in April. An executive committee, led by Saunders and Roux, made the investment in May.

At the time, the directors did not raise many questions. All they knew about Boesky was that his investment clients had done extraordinarily well — and that the connection might be valuable for a group interested in US aquisitions.

Besides, they had other things on their mind. The integration of Distillers was a demanding job, which stretched their control systems to the limit. According to one executive, it was difficult to grapple with the Distillers' system of financial control. "Everyone's eyes were concentrated on the day-to-day management oft he business."

The dominating personality of Mr Saunders was crucial. The Guinness family members of the board had every reason to be grateful to him for turning the business around. The three group managing directors, along with most other senior managers in the group, had been hired by him and felt a burning sense of loyalty. Roux, still only 36, was an outsider—seconded from the consultancy firm of Bain and Company — and was on a fast track, owing everything to his chief executive.

The structure was not one to encourage critical self examination, as became apparent in the "Risk affair" during the summer.

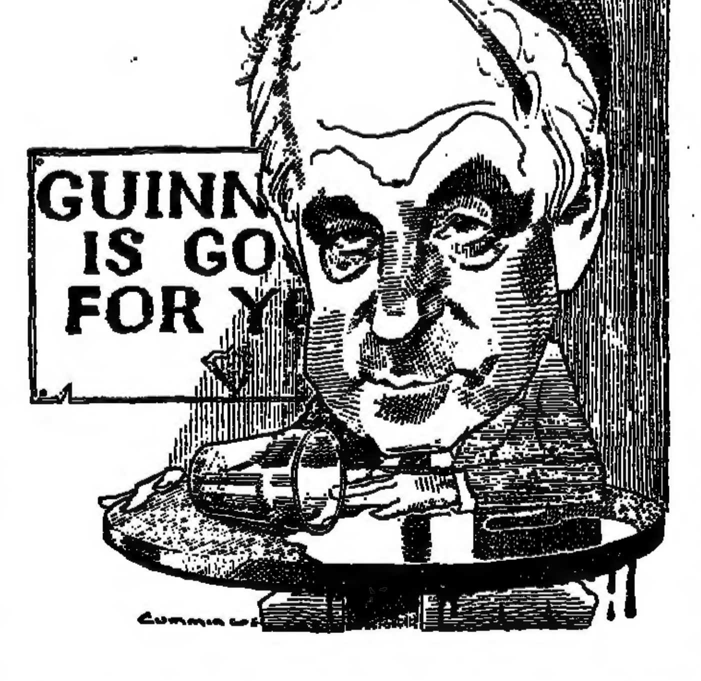
In the course of its bid for Distillers, Guinness promised to setup a two-tier board structure, with Sir Thomas Risk — Governor of the Bank of Scotland — as non-executive chairman. After the battle was won, Guinness announced that the plan had been dropped, and that Mr Saunders was to be chairman of the enlarged group.

The news caused furore in the City, which felt that it had been deliberately duped.

But there was a widespread fear that if Mr Saunders walked off in a huff, he would be followed by half his team, leaving one of the world's largest drinks companies crippled at a decisive moment.

The compromise, instigated by the Bank of England, was to put up a strong team of non-executive directors, a task which required considerable arm twisting of Mr Saunders. For example, the name of Sir David Plastow, who this week emerged as deputy chairman of Guinness, was put forward by the authorities and, initially, a crossed out by Guinness.

Eventually, a strong team of five non-executives was approved by shareholders—and these directors have played a decisive role in the events of the past few weeks. Their first full board meeting was on December 2, the day after two Department of Trade inspectors had arrived at 9.30 in the morning at the group's London headquarters, demanding access to its files.



The meeting was a strained affair. The directors asked for an assurance that there was no known reason for this unprecedented intervention. This the chairman gave. However, there was one piece of unwelcome news for the new non-executives: they learnt for the first time of the involvement with Boesky, who was by now in disgrace.

The non-executives started to push for information. Was there a connection between the investment in Boesky and his purchase of Guinness shares during the bid battle? Again, they were told that this was not the case. But the pressure for information from the non-executives mounted in the following weeks as a string of announcements took them by surprise.

They were not consulted about the press release announcing details of the Boesky connection, or about the decision to appoint Sir David Napley's firm, Kingsley Napley, as legal advisers to the company. Nor were they, or the other directors, told that Price Waterhouse, the auditors to Guinness, had started to express concern about some of the bid battle transactions disclosed yesterday.

At the same time, there were a growing number of questions in the press about £7.6m of Guinness money which had been used in May to repurchase shares at inflated prices from investment clients of the merchant bank Henry Ansbacher. The clients were persuaded to buy the shares during the bid battle on the strength of a repurchase commitment made by Guinness's merchant bank adviser, Mr Roger Seelig, of Morgan Grenfell. Mr Seelig subsequently resigned.

The Ansbacher episode turned out to be the tip of an iceberg of share repurchase commitments made by or on behalf of Guinness during the takeover battle.

According to one of them, the spur for fuller information came from the non-executives. "It was a classic non-executive role. We had to be quite aggressive to find out what we wanted." The executives, not surprisingly, were very reluctant to accept that something fundamental had gone wrong without their knowledge.

The turning point came on Monday of last week, January 5. Mr Saunders returned from his Swiss ski-ing holiday determined to fight any calls for his resignation.

A letter from Roux arrived at the offices of Kingsley Napley, describing in detail his version of what had taken place during the course of the bid. Later that day, there was a meeting with Roux and his legal arvisers—at which Mr Roux expanded on his letter, and Mr Saunders denied any knowledge of the allegations.

For the loyal executive directors, the letter came as a real jolt and triggered over the next few days a 180 degree turn in their relationship with Saunders. The non-executives were impressed with Roux's performance in making a clean breast of his involvement. "He handled himself very well," says one, "and deserves a lot of credit for what he did."

How then did he get involved in this tortuous series of transactions? According to one of his colleagues, he is the most clinical and punctilious of managers. The apparent explanation is that he got caught up in the excitement of the bid, and Saunders' relentless drive for victory. "He must have been on a fly wheel, spinning out of control," says a fellow director.

On the Tuesday afternoon, non-executives led by Sir Norman Macfarlane—who was to be appointed chairman—confronted Saunders and told him that in their view he should stand down. He resisted, and again denied any knowledge of what had happened.

But by now, outside events were moving very quickly. At the initiative of the outside directors, Price Waterhouse started a crash programme of investigation into the dubious transactions. They flew to Zurich to confirm details of the arrangements with Bank Leu in Switzerland—deals which, in the careful wording of yesterday's statement, were in apparent breach of Companies Act requirements.

By the end of the week, the three managing directors had steeled themselves to an act—something which would have seemed unthinkable only a month earlier. Saunders, who had always believed that if he were to be forced out his team would follow, found his own three top men demanding his departure.

Late Sunday afternoon, the directors who had been most closely involved met again informally without Saunders, and decided to form themselves into an official board meeting. Sir Norman was appointed chairman, and after discussions lasting several hours they agreed on the rough outlines of what was to be approved at the full board meeting on Wednesday of this week.

Saunders was to be dismissed. Two non-executive directors were to be invited to resign. They were both old allies of Saunders: Dr Arthur Furer, chairman of Bank Leu, and Mr Thomas Ward, a partner in the group's legal advisers in the US.

The full story of the past year —in particular what happened in the final stages of the takeover battle, has yet to emerge. One director likens the affair to a huge jigsaw puzzle with several hundred pieces. "We've got most of the square bits, but the picture is only just emerging," he says.

The one point of agreement between all the Guinness managers is that the underlying businesses are in good shape; and the merger with Distillers is going well. The group's top 35 executives were brought together last Monday to meet the new chairman and be reassured about recent events.

The present management structure is likely to be changed eventually with the appointment of a chief executive, reporting to a non-executive chairman. But first, the dust has to settle.

And how to explain Ernest Saunders' role in the affair? The operating directors are still bewildered.

One former adviser says that Saunders is a man who immerses himself obsessively in the details of whatever he is involved in, and is always determined to win at almost all costs.

According to an outside director, he is an overbearing, brilliant and dominating man. "A job had to be done at Guinness, and he did it well. Then came the bid for Bells, which was a great victory. You get the taste for these things, and off you go. Soon you think you are walking on water."

Sponsors gain pole position

Paul Betts on the shifting image of a controversial race

IT COULD be the Cannes marina at the height of summer. But instead of yachts and pleasure boats, scores of small aeroplanes and helicopters crowd the tiny airstrip of Tahoua, in the Sahel of Niger, surrounded by sand and desert scrubs. Behind barbed wire, a messy campsite has been set up to accommodate the noisy and colourful caravan of motorbikes, cars and trucks which for 10 days have been roaring across the Sahara in the Paris-Dakar rally, due to finish on Thursday.

Under the Michelin aeroplane, a party has been organised for drivers, technicians, promoters and hangers-on, clad in fashionably dirty T-shirts and jumpsuits promoting everything from television sets to motor oil. Pasta and peanuts, Pastis and Black Label whisky abound. Beyond the barbed wire, scores of Tuareg children press the strange gathering of tourists and competitors for biros, bottle openers, coins and other trinkets of the western world.

From its beginning nine years ago, the Paris-Dakar rally has established itself as a race without parallel. In France, it provokes passions which rival those of the Tour de France cycle race. Indeed, a survey last year showed that, after the Tour, the rally was the country's best known sporting event. More than 1.5m people watched a television programme showing the 500 cars, bikes and trucks boarding ferries at Barcelona en route for the desert this year.

The rally manages to provoke controversy and divide the French as much as reform of education. President Francois Mitterrand has remarked: "My wife is against the rally but I am for it." An organisation called "Pa-Dak"—a pun on Paris-Dakar and "pas d'accord" (against)—which includes eminent writers, ecologists, social workers and politicians, has been campaigning virulently against the race.

While it is an adventure for what the newspaper Le Monde calls "a generation of children of Don Quixote and Coca Cola," the rally is also "the most dangerous in the world," according to Jean Todt, head of the Peugeot team. It entered the race for the first time this year with a motorcade including a lorry with shower for its drivers, and a Corsican chef to prepare couscous and watery omelettes.

Since the rally started, 16 people have died—among them Thierry Sabine, the brain behind the race, killed last year in a helicopter crash. Mark Thatcher, son of the UK Prime Minister, was lost for several days with his co-pilot three years ago. The country of Burkina Faso, formerly known as Upper Volta, banned the race from its land after a village woman was killed near the track in 1984.

The appeal and controversy surrounding the 13,000-kilometre rally stems from its split personality. It was originally intended as an adventure for amateurs who were prepared to invest heavily in a contest designed to bring excitement and winter sunshine to western television spectators. It has become a multi-million dollar affair with sponsors and motor groups playing for high stakes.

Before the death of Sabine and a French pop singer in the helicopter crash, the rally had become a show business event with stars and royalty joining in. Now the international cafe society has had to make way for professional teams from the big motor groups. "This year Peugeot has replaced Caroline de Monaco as the star of the show," says Patrick Verdoy, director of the event.

The three Peugeot 205 turbo prototypes are dominating the race, thanks to an organisation which leaves little to chance. "There is a risk that the atmosphere of the rally could become smothered by the increasing presence of big professional teams," says Mr Verdoy.

Peugeot is competing against the Japanese (Mitsubishi and Toyota), who have been making inroads into the traditional African markets of the French private car group and of Land Rover, which has been lying second in the race.

Although Peugeot is still the leading individual car marque in Africa, the Japanese have overtaken the French company in the African market, acknowledges Jean Boilot, president of Peugeot.

The Japanese, especially Mitsubishi, have used the Paris-Dakar rally to promote their four-wheel-drive vehicles in Africa and Europe. Land Rover also hopes to do well this year in advance of a promotional drive in the US market. Moreover, if Land Rover succeeds, the company is considering developing a new engine for next year's rally and increasing its presence, according to Patrick Zaniroli, one of the team's drivers.

Despite the success of Peugeot so far, there are mixed feelings inside the camp over the race. Some senior Peugeot officials are concerned about the "moral" image of the race, although their cars are expected to run again next year before probably returning to the Formula One circuit.

For Rene Dumont, the veteran French ecologist and authority on Africa, the rally is "a concentration of all the things that have been destroying Africa during the past 30 years."

The massive sponsorship by industrial groups, the French Defence Ministry, companies which advertise restaurants called "L'entrecote" or children's clothes called "confiture et chocolat," not to mention cigarette and alcoholic drinks companies, is also regarded as an exercise in bad taste, not just by the Pa-Dak lobby but also by some sports enthusiasts. At its most extreme, the race is characterised as a rape of the desert, flaunting the materialistic values of a bored western society in search of a momentary thrill in areas suffering from chronic poverty.

Rally organisers refute these charges, claiming the race is appreciated by local populations, which take advantage of the invasion to make money, contributing to the general welfare of their communities. "The money they make can help them buy goats or other animals. What is wrong with that?

At the Texaco station—an abandoned oil well in the middle of the desert—an enterprising Tuareg is selling a two-litre bottle of orange soda for about $15. At Agadez, the Tuareg city which acts as the gateway between the desert and the Sahel, a room in the inn, the Hotel Agreboun, costs—after much haggling—about $30 a night.

In answer to the growing number of critics, race organisers and their supporters have sought appeasement by distributing water pumps to villages along the route. But this initiative has had little success and, in many cases, has backfired. A French diplomat says the action has been criticised in official circles as a gimmick which aid organisations have boycotted.

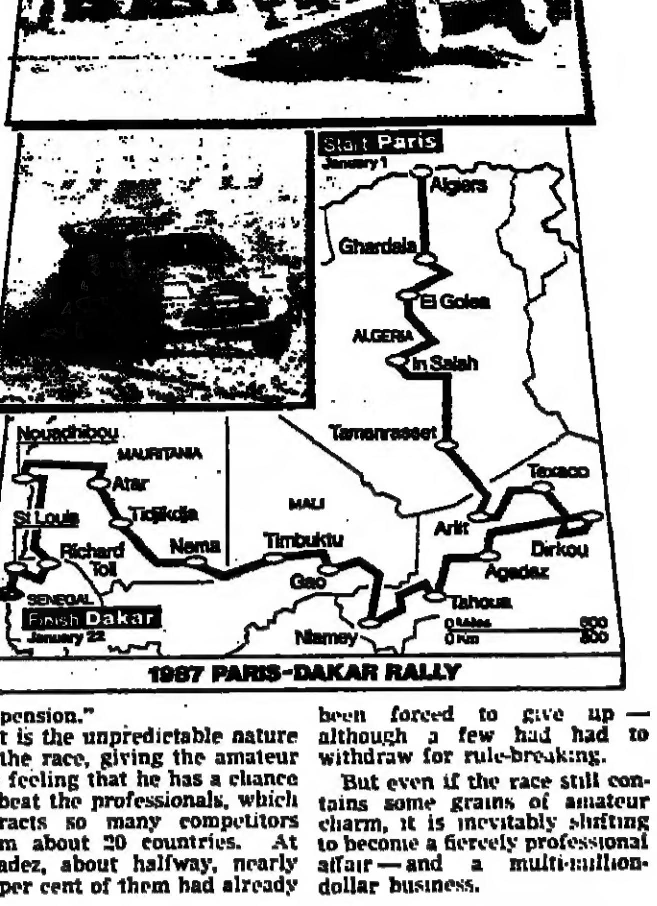
Despite the controversy, most competitors, whether professional or amateur, say the rally offers an unsurpassable combination of danger, skill and adventure. "Every stage of the race offers surprises. However much you prepare yourself, the desert will change the rules of the game," remarks Shekar Mehta, a Kenyan racing for Peugeot.

It is easy to lose track and become lost in the sands. About 10 competitors were still lost in the desert five days after they were due to arrive in Agadez. Moreover, when the wind blows, it changes the tracks, making it even easier to get lost. "Although we are in the lead we are worried that the hardest part is yet to come, in Mauritania," says Mehta.

There, the sand storms can make the track completely invisible. "You are roaring along at 200 kilometres an hour and you cannot see anything in front of you, let alone the bumps which can ruin your suspension."

It is the unpredictable nature of the race, giving the amateur the feeling that he has a chance to beat the professionals, which attracts so many competitors from about 20 countries. At Agadez, about halfway, nearly 50 per cent of them had already been forced to give up — although a few had had to withdraw for rule-breaking.

But even if the race still contains some grains of amateur charm, it is inevitably shifting to become a fiercely professional affair — and a multi-million-dollar business.



1987 PARIS-DAKAR RALLY

Man in the News: John Ellis

Kevin Brown talks to the man who has had the task of trying to keep British Rail's Southern Region trains moving during the freeze

BRITISH RAIL managers were yesterday celebrating the first signs of a thaw, but after the worst weather disruptions for 40 years, there was still plenty of clearing up to do.

The competence of railway management has come in for a lot of criticism in the past week, not least from the thousands of London commuters whose trains ran late or simply never arrived at all.

Normally, criticism of this sort are fielded with remarkable equanimity by British Rail managers, possibly because the impact has been dulled by repetition.

But there was more than a hint of irritation at the Waterloo crisis headquarters this week as Mr John Ellis, deputy general manager of Southern Region, and British Rail's Mr Freeze for tens of thousands of regular travellers, struggled to keep the trains running through the snow.

Mr Ellis pointed out coldly that no transport system in the world could operate viably on the basis of planning for weather conditions that recur every four decades.

All that managers can do, he sighed wearily, is be ready to be flexible and set up systems to cope with the emergency as quickly as possible.

On the Southern Region last week that meant hourly telephone conferences with area managers and engineers all over the south, and extensive 12-hour shift working.

But with more than a quarter of the electric rolling stock out of action, several trains simply lost, and at least one snowplough buried under a 20 ft snow-drift, railway management gradually came to mean little more than damage limitation.

There were times when that meant not reopening closed passenger lines and possibly leaving travellers stranded because of the dangers of trains breaking down in areas where no relief rolling stock would be available to go to the rescue.

It also meant establishing instant communications, sometimes helped by the army, with engineers and snow clearance workers operating in the teeth of the blizzards.

In the case of one stranded snowplough, this involved telephoning a railside farmhouse, where the farmer's wife hung a freezing blanket from an upstairs window as a signal to engineers that HQ was calling.

The job of coping with the Arctic conditions fell to Mr Ellis because the weather had the bad grace to turn sour in a week when his boss, Gordon Pettitt, general manager of Southern Region, was tied up at the first of a series of hearings by the Monopolies and Mergers Commission into BR's commercial practice.

Mr Ellis is an Oxford graduate in philosophy, politics and economics who joined the railway from university and subsequently passed through BR's graduate entry business management course.

Like most railway managers, he sees his job as an unusual one, not least because it combines commercial pressures with the public service ethos upon which the post-war railway has been nourished.

Mr Ellis is too diplomatic to say so, but he gives the distinct impression that the main problem railway managers face is not the weather or broken-down rolling stock but the unforgiving nature of the public.

A big source of irritation, for instance, is travellers' failure to recognise that if they are having trouble getting to work, so are the people who run the railway.

There is one key area, however, in which managers will frequently concede that performance has been less than satisfactory. That is communications with passengers.

John Ellis admits frankly that managers find it difficult to motivate station staff to think positively about communications.

This is part of the reason for the celebrated "charm school re-education" given to many staff, but there is no denial that the results have been patchy.

That is likely to continue until staff at lower levels — the ones who come into direct contact with the public but not with politicians and journalists — stop regarding the railway as a technical operation in which passengers are simply a source of trouble.

How managers can provide that motivation and what incentives can be created to back it up are among problems that will still face John Ellis when the freeze has passed, like those before it, into folk history.

Letters to the Editor

Lloyd's and the FSA

rom Mr C. Gurney.

Sir,—The principal differences tween becoming a member Lloyd's and buying shares an insurance company are at the Lloyd's member sumes unlimited liability and es not pay a capital sum for e income stream he hopes to tain. In return for "getting mething for nothing" he is pected to accept unlimited bility and to put up with archaic regulatory structure which he is not allowed to k questions, make choices or en receive reliable intelligible formation. The shareholder n monitor the value of his vestment and deal in it as likes knowing that all availle information is reflected in e share price. The Lloyd's me is unable to join most ndicates, specially the small nsistently profitable ones on ich the "old boys" will be ll-represented, has no price otation he can look up to flect information on his syndies, and can only bail out of ndicates after much delay, obably after the professionals d when it is too late.

f he is lucky enough to have members agent who is indendent of any managing agents d able to obtain the right pacity, he may do well—but is a question of luck and n skill. There is almost no mpetition between members ents, it is very hard to switch m one to another and they erate a cartel when it comes fees which means that the me is liable to pay them up t £12,000 a year even when makes a huge overall loss. e investor in shares can at st choose between different estment managers with ering services and levels of fe.

he 30,000 investors or names Lloyd's have as much if not re need of protection than estors in the shares of urance companies and we only hope that the Neil uiry concludes thus.

t will be sad if the ults of the enquiry fall short recommending the full inclusion of such investors within the Financial Services Act. If argain is struck with Lloyd's must include at least: separan of managing agents and mbers agents; a market in ndicate capacity giving all mes equal access to syndies; abolition of the fee cartel erated by members' agents a proper framework of ning and qualifications for those operating within the rket together with conduct of business rules at least equivalent to those being drawn up by SIB.

Claud Gurney,
41 Brompton Square, SW3.

Cross-Channel links

From the Chairman, Railway Conversion League

Sir, — Mr Ralf Bonwit (January 13) appears to advocate the abandonment of the car-ferry role for the Channel tunnel. Perhaps he is making a virtue of necessity. If, after the very close vote in Committee, Parliament should impose more stringent safety regulations for the carriage of road vehicles than those considered adequate by the promoters, the ferry role might cease to be viable or even practicable.

Some 85 per cent of cross-Channel traffic is in road vehicles and it has always been accepted that the bulk of revenue from a fixed link would be generated by the car and truck ferry traffic. Without this a rail link will merely be another part of Europe's universally loss-making rail network.

It has never been explained how, by joining two heavily subsidised national rail networks by a very expensive tunnel, it might be possible to make a profit.

Angus Dalgleish.
Shouson Hill,
Ruxbury Rd,
Chertsey, Surrey.

Caviar for the cognoscenti

From Mr J. Paton

Sir,—Mr Ellerton (January 10) is pushing at an open door. In his quest for the rare Oscietra he has overlooked the fact that in my letter I conceded that the route he described is certainly possible. My mention of various agencies and their interest in the route was meant to deter hordes of disappointed shoppers diverted from Harrods food hall. Had I been more specific I might have convinced him that I was more than a little familiar with Heathrow's geography and organisation. But I might also have given succour and encouragement to the Queen's enemies.

I can reveal, however (without giving aid to terrorists, smugglers *et al*), that at the time of delicate, three-handed negotiations involving British *Airports Authority*, HM Customs and Caviar House, the last-named had on their team Miss Purchas as buyer and Mr de Fries as refrigeration consultant. Not many people know that!

Joking aside, Mr Ellerton may wish to know that airport planners worldwide have been cudgelling their brains for more than a decade to see how best to keep incoming and outgoing passengers separate. Montreal, Moscow and Heathrow's Terminal 4 seem to have managed it better than most.

John G. Paton.
35, Sarum Crescent,
Wokingham, Berks.

Nursing pay

From Dr I. Beardwell

Sir,—Your Labour Correspondent's otherwise full and accurate report of our study of nursing pay and job content (January 9) raised two points which require correction.

Our work was not intended to be an examination of the total nursing workforce, but a more specific study of lower paid nurses. This inevitably meant that we were concerned with the lower rungs of the nursing profession. It is not the sample size but its representativeness of these categories of nurse which is significant. In this respect the stratification by geographical area, hospital type and grade led to results which were consistent across the sample. Our findings were typical of the pay and work of these nursing grades, which was not the impression left by your correspondent's concluding paragraph.

(Dr) I. J. Beardwell.
Kingston Polytechnic,
Kingston Hill,
Kingston-upon-Thames,
Surrey

Unemployed candidates

From Mr B. Baboulene

Sir,—Mr Leventhall (January 12) places a very cynical interpretation on Michael Dixon's reference to a recruitment consultant barring unemployed applicants when he suggests that this is a widespread practice aimed at creating replacement work for the recruiters.

With respect to Mr Leventhall, I have never come across any hint of this attitude, though I have noticed a prejudice against unemployed candidates on short lists presented, which could at least as well account for the instance mentioned by Mr Dixon.

It is true that headhunters sell the fact that the best candidates for key appointments are very often not looking at job ads but it does not follow that unemployed applicants are *ipso facto* excluded.

Bernard L. Baboulene.
10, Richmond Avenue, SW20.

Air traffic control

From the Director-General, Air Traffic Users Committee

Sir,—Councillor Seely (January 10) entirely confuses the issue. If more planes want to land than available runways can immediately accept then they will have to be kept in holding stacks until the congestion eases and this represents problems for air traffic controllers. To avoid this, departures from overseas airports may be held up, leading to delays outwards due to "the late arrival of the incoming aircraft." The solution is an additional runway in the area where this log-jam occurs! Air traffic controllers in other major aviation centres in the world satisfactorily handle more traffic than there is in the London area.

To include problems caused by weather in the same context is absurd. If runways are covered with snow or obscured by fog the degree of their capacity used or not used in normal circumstances is quite irrelevant; there will be delays.

Aviation expansion comprises three facets: as more people want to travel, more terminals to handle them will be required, more aircraft will be needed to carry them and occasionally additional runways will be required on which to operate the aircraft. Air traffic growth generally will require increased frequencies on thinly served routes and new services between hitherto unconnected airports. Only part of the increase in passenger numbers will be accommodated in larger aircraft operated at the same frequency on existing well-developed routes. Surely no one has suggested that the consequence of using bigger aircraft will lead to (overall) fewer aircraft movements.

For many of the destinations to which UK passengers want to travel, London is the only place to go from. It is simply unrealistic to tell them that if they cannot go from London they will be able to go from Manchester or somewhere in Scotland. If you live in the south east and cannot travel to where you want to go direct from London, will you go to Manchester or Scotland to interline, always assuming such a service exists, or will you go to the nearer Amsterdam or Paris? This is in no way to belittle the splendid achievements of Manchester.

Richard P. Botwood.
129 Kingsway, WC2.

Start ups lack premises

From the Chairman, Park Royal Enterprise Trust.

Sir, — In December 1982 you published a letter from me, as director of the Berkshire Enterprise Agency, under the heading "Small cheap sites needed." My letter called, inter alia, for specific schemes "to facilitate lower rentals for these newer units in somewhat riskier enterprises." It also called on "local authorities to relax some of their arduous and unrealistic planning restrictions."

It is salutary that some four years later a section on the agency carries the heading "Start ups lack premises." And the present incumbent reports (January 9) that 371 "businesses failed to get off the ground due to the dearth of suitable units."

In the intervening years the enterprise agency movement, following the positive and energetic lead from David Trippier MP has burgeoned. Likewise the advocacy by such leading industrialists as Sir Hector Laing who recently stated that he had "been trying to rally support for a commitment of members of what we call the Per Cent Club."

But the results of this advocacy are patchy and the benefits diffuse and thinly spread. The time has come, I feel, for the private sector's efforts in this area to be more concentrated and visible.

Let the companies and institutions earmark their contributions to specific and identifiable economic projects eg funding schemes "to facilitate lower rentals for newer units."

Let these funds in part, and subject to the necessary if not conventional safeguards, provide equity or loan finance for smaller companies which cannot get or afford the necessary finance from current source providers.

Let current thinking shift to greater concern for the existing smaller business where in the past 10 years it has (not inappropriately) been concerned with the creation of an environment in which the start up business was encouraged. We should now be more concerned with those businesses which have the potential for wealth and job creation rather than be gratified that some of the unemployed have found self employment.

Ansel Harris,
Waxlow Road NW10.

Safeway may float UK side on London market

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

THE AUCTION for the UK supermarkets business of Safeway, the privately owned US retailing group, has taken on a new dimension with confirmation that the parent group is considering spinning off the 131-store chain and floating it on the London Stock Exchange.

Morgan Grenfell, the London merchant bank, has been appointed sole sponsor for the possible issue. Preparations have been under way since the middle of December.

Flotation appears to have replaced a management buy-out in the list of practical options before the US parent. Faced with a price tag of at least £600m for a company which needs considerable amounts of cash to pay for expansion, the management, led by Mr Terence Spratt, is believed to have had difficulties finding backing.

"Flotation might be a more practical route and only marginally less attractive to the existing management than a buy-out," one official close to the company said yesterday.

The US company could retain a substantial interest, while still raising funds to help ease its $4.7bn debt problems in America.

It could also prevent the prestigious name in the UK from falling under the control of a competing retailer, and be confident that the chain would continue to be managed by the people who built it. "Then everyone would be happy," he said.

However, City experts still believe the chain will ultimately be sold. The deadline for bids passed earlier this week, shortly after Tesco announced that it would not be making an offer.

Argyll Group, which runs the Presto chain, and Dee Corporation are understood to have made offers, although the full list of bidders is secret. Safeway was "pretty happy with the size of the postbag," an official said yesterday.

Morgan Stanley, the US investment bank, is handling the auction.

Giltrap pursues Gates shares

BY CLAY HARRIS

Giltrap Holdings yesterday sought to entice family shareholders in Frank G. Gates away from their commitment to the London-based Ford dealer by offering to buy their shares in the market.

Gates claims that holders of 43 per cent of its shares have undertaken not to accept Giltrap's 120p cash offer. An additional 17 per cent have signalled their intention to reject the £10m bid.

Samuel Montagu, Giltrap's advisers, said, however, that the shareholders were free to sell in the market if they gave advance notice to the Gates chairman. It said it would buy the shares up to the new closing date, January 23.

Shearson Lehman, advising Gates, said later that the shareholders in question had been contacted and that none had any intention to sell their shares or to seek the chairman's consent.

Giltrap again stressed that Ford was willing to allow it to hold "one or a number of major Ford main dealerships" and pointed out that it had successfully developed the largest Ford dealer in New Zealand.

Gates shares were unchanged at 122p.

Bingo keeps Zetters on growth path

Once again bingo operations have led the way to growth by the Zetters Group. In the half year ended September 30, 1986 group pre-tax profit rose from £778,000 to £858,000 and the interim dividend is lifted from 1.25p to 1.4p net per share.

Turnover increased to £13.83m (£13.04m) with bingo accounting for £4.58m (£3.83m) and football pools activities for £9.25m (£9.21m).

The directors expressed satisfaction with the half year results and said the final six months should be satisfactory.

After tax £313,000 (£311,000) the net profit was £545,000 (£467,000) for earnings of 8.31p (7.13p) per 5p share. There was also an extraordinary loss of £40,000 on the sale of a hotel following the company's withdrawal from that venture.

For the whole of 1985-86 the group made a pre-tax profit of £1.83m.

Stag Furniture seeks new MD from outside

By Richard Tomkins

Stag Furniture has decided to split the functions of chairman and group managing director and to seek a new managing director from outside the group. Mr Norman Purnell, until now assistant group managing director, has resigned.

Mr Patrick Radford, who remains chairman, said the functions had not been intended to be permanently combined when they were merged 25 years ago. "The only thing that has held me back from separating them before has been the thought that I hadn't got the right person to succeed me."

In the half year to last June, Stag raised pre-tax profits from £470,000 to £472,000, but the out-turn was below expectations. Mr Radford said yesterday that current trading conditions for the furniture industry were favourable and the company was busy.

Berisfords sales to raise £900,000

Berisfords Group has announced the sale, to be completed in a few weeks, of its industrial and embroidery divisions for a total £900,000 cash, which will be used to reduce borrowings.

The disposals are a major step in Berisfords strategy to concentrate on its three core and most profitable businesses of ribbons, labels and trimmings. It feels confident that the sales will strengthen the trading prospects and balance sheet.

The industrial divisions (trading as Woodstock Weaving) is being sold to William Kenyon & Sons and will realise £480,000. Kenyon owns 14.6 per cent of Berisford's capital and shareholders' sanction for the deal will be required.

The embroidery side is being sold to a newly formed company for £450,000. Berisfords will be taking a 17 per cent equity stake and some convertible redeemable preference capital.

T. Cowie disposes of Appleyard stake

T. Cowie has sold the 10.37 per cent holding in Appleyard Group that it bought before abortive merger talks in October between the two motor dealers.

Appleyard shares fell 15p to 171p after the placing arranged at an undisclosed price by Appleyard's merchant bank and stockbroker, Hill Samuel and Alexanders Laing & Cruickshank.

Lifecare reorganisation gets holders' backing

BY NIKKI TAIT

Lifecare International, the nursing homes group where receivers were appointed in August, could live again.

The new board of directors announced yesterday that it was aiming to lift the suspension on dealings in due course following completion of the receivers' job, which had left the company with surplus funds.

Lifecare announced in December that the former managing director, Mr C. Morris, had been removed from office and two other Lifecare directors, Dr Petty and Mr Lenton, subsequently resigned. Mr John Little and Mr Piers Mountstephens were appointed in their place.

At an egm on January 14 the new board was approved and backing was secured for an agreement with Care Homes for the settlement of all matters outstanding between the two companies.

Care Homes, a BES company, was set up last March to start a chain of nursing homes which Lifecare would run.

The first of these, Dormy House in Sunningdale, will now go ahead. Lifecare retains a 44 per cent stake in Care Homes.

An egm of Care Homes on January 15 approved the settlement with Lifecare.

The receivers, Peat, Marwick Mitchell, have ceased to act and have returned surplus funds to the company after meeting its liabilities to Citibank and other creditors.

Finlan buys paper and glass concern for £3m

BY PHILIP COGGAN

Finlan Group, the builder and developer, is acquiring Bromley based Witting Brothers for a total cost of £2.9m.

Witting is a wholesale merchant of flat glass, paper, paperboard and packaging materials, and an agent for European paper mills.

In the year ended December 31, 1985, it made pre-tax profits of £812,371 on turnover of £12.6m. The company estimates that the account for the year to December 31, 1986 will be broadly in line with the previous period.

The purchase is part of Finlan's strategy of diversifying away from construction and into property development and building supplies. Witting will join Skybridge, Finlan's existing materials handling and export arm.

The consideration is being financed by the issue of 3.44m new shares, of which 711,000 will be retained by the vendors, and 295,000 are being vendor placed to cover the issue's expenses.

The remaining 2.74m shares are being vendor placed at 85p per share, of which 295,000 shares will be used to cover the issue expenses. Existing shareholders have a 100 per cent clawback facility (the right to buy any of the placed shares).

In addition, there are further payments, in the form of a maximum of £525,000 of 6 per cent convertible loan notes, dependent on profits performance. Mr Ron Ingarfield, Witting's managing director, is joining the Finlan board.

Whitbread increases its Buckley's stake to 22%

THE INFORMAL tussle over Llanelli-based Buckley's Brewery where Whitbread holds a long-established interest and Mr Tony Cole's Bestwood Group has recently built up a 27 per cent holding, continues.

Yesterday it was the turn of Whitbread to announce the purchase of a further 450,000 Buckley's shares, raising its stake from 18 to 21.67 per cent.

A further 6 per cent is held through Whitbread Investment Company, putting the brewery's total holding a little ahead of the Bestwood stake. Mr Cole is seeking a boardroom seat, and has threatened to put the matter to the shareholders.

Yesterday, Buckley's said that it had heard nothing from Mr Cole directly since the New Year.

COMPANY NEWS IN BRIEF

SIMON ENGINEERING shares yesterday fell well below the revised price offered by Valuedale's management buy-in. They closed 20p lower at 301p as the market had its first chance to judge the new 324p cash-and-paper offer announced late on Thursday. Simon rejected the revised terms as "inadequate, ill-conceived and adding nothing of value."

A.C. HOLDINGS—The directors said yesterday they had noted the recent substantial increase in the share price and speculation in the Press regarding possible "imminent asset injections." They stated that there was no substance behind such speculation, and that they knew of no reason for the recent sharp rise in the price.

GOODMAN BROTHERS (clothing manufacturer). Board said it knew of no reason for recent rise in share price.

LEISURE INVESTMENTS (amusement, leisure centre and snooker club operator) has received acceptances in respect of 5.13m (88.3 per cent) of the £5.81m 7 per cent cumulative redeemable preference shares of £1 rights issue.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Greenfriar Inv.	2	—	1.7	2	1.7
St. Andrew Tst.	2.25	April 16	1.9	3.5	2.9
Zetters ......int	1.4	April 8	1.25	—	5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

Prudential set to expand in Australia

By Nick Bunker, Insurance Correspondent

PRUDENTIAL CORPORATION, the UK-based insurer and financial services group, is offering A$3.6 per share to take 100 per cent control of Network Finance, an Australian finance house.

Prudential hold, at the moment, 31.1 per cent of Network, a mortgage finance and leasing operation which lent about $150m in the year ending June 1986.

The Prudential prizes its link to Network, because a big proportion of the Prudential's Australian customers are small businessmen and self-employed people

The Prudential had a five per cent holding in Network for some years, but then expanded it above the 30 per cent figure in 1985. It said its latest move was triggered by a recent announcement from Mellon Bank of the US that it wanted to sell its own 28.5 per cent stake in Network.

Mr Graham Clay, assistant general manager of Prudential's international division, said the group viewed "with a degree of concern" the possibility of Mellon's stake falling into unfriendly hands.

Network's other major shareholder is Hooker Corporation, an Australian property company, with 32.3 per cent. Some analysts in Sydney believe Hooker may now launch a rival bid.

Australia and New Zealand account for five per cent of Prudential's worldwide premium income.

NEW LIFE BUSINESS

Successful year for the Pru

NEW worldwide single premium, business life and pensions business at the Prudential Corporation, the insurance and financial services group, surged up 153 per cent to £768.4m last year.

Worldwide annual premiums rose 10 per cent to £335.5m, the Prudential said. The figures exclude new business written by Jackson National Life, the US life company it acquired last November.

But they included a jump of nearly £300m in single premiums at Mercantile and General, the Prudential's reinsurance subsidiary, due to a special Canadian reassurance arrangement.

Some of the biggest single increases in new business were in the UK group pensions division, where new single premiums more than trebled to £107.4m. The division's new annual premiums were 33 per cent higher at £38.7m.

In the UK individual division, total new premiums for ordinary and industrial life business were almost unchanged at £185m. But the launch of Prudential's National Home Loan Service helped produce a 93 per cent rise in new annual premiums for low cost endowments, as used for endowment mortgages. Prudential's home loan service used finance from Citibank Savings to lend 10,000 mortgage applicants about £250m between March and December.

Sales of Prudential Assurance's personal retirement plan fell by 22 per cent to £37.3m, mainly because in 1985 pre-budget fears about the possible ending of tax relief had led to an unusually big jump in sales.

Prudential Assurance's UK single premiums rose 5 per cent to £60.1m. But Vanbrugh, Prudential's unit-linked life subsidiary, more than doubled single premiums to £105.7m.

...New worldwide annual premiums rose 26 per cent to £45.5m at Mercantile and General Reinsurance. The Canadian reassurance agreement pushed up the single premium total to £324.2m.

Substantial rise at Sun Life

New single premium business nearly doubled from £193.3m in 1985 to £368m last year at Sun Life Assurance, the life insurance, unit trust and pensions group.

New annual premium income rose from £53.4m to £58.5m. Sun Life said 1986 had been a record year for its single payments business, with bonds and single premiums for individual and self-employed pensions particularly buoyant.

In its first year, Sun Life Trust Management had attracted single payments of £123.5m. Bond business was £123m (£68.5m), and single premiums for individual and self-employed pensions were £86.3m (£62m).

New annual premium income was slightly lower than in 1986, but the 1985 figures had contained special reassurance premiums that could not be repeated last year. Sun Life said the result was "satisfactory" when coupled with the enormous volume of single payments.

Lisa Wood looks at Grand Metropolitan's purchase of Heublein

US deal cheers growth prospects

Grand Metropolitan's $1.2bn (£800m) purchase of Heublein, the wines and spirits subsidiary of RJR Nabisco, the US conglomerate, consolidates the position of the brewing and hotels group among the top players in the international beverages business.

Other market leaders include Guinness, Seagram of Canada, and Hiram Walker, also Canadian-based but since last year 51 per cent owned by Allied-Lyons.

It is a marketplace that has seen a spate of mergers and acquisitions in the past year, including the troubled £2.6bn acquisition of the Distillers Company by Guinness. The ownership of strong drinks brands, in an increasingly competitive market, has been at a premium.

Mr Anthony Tennant, chairman of IDV, the wine and spirits subsidiary of Grand Metropolitan, said: "This gives us a very strong base throughout the world with a portfolio of brands concentrated in areas of growth." Smirnoff Vodka, Heublein's main brand, is the world's second largest spirit brand after Bacardi.

The acquisition comes after an anxious period for Grand Met, which has been beset by rumours that a consortium bid might be launched with a view to breaking it up. Its parts include Inter-Continental Hotels, IDV, the Watney Mann & Truman brewing interests, Express Dairies and US consumer services.

At the same time, the company has been busy restructuring to eliminate non-core activities, and consolidating management with the recent appointment of Mr Allen Sheppard as chief executive under the chairman, Sir Stanley Grinstead.

Sir Stanley yesterday denied that the acquisition was a poison pill designed to ward off predators. He said it might be perceived as having defensive characteristics, with its raising of the group's gearing to about 100 per cent, compared with its present 38 per cent, making it more difficult for a highly-leveraged bid. But that was not the objective. "The acquisition is very attractive to us and fulfils part of our international strategy."

Under his leadership, Grand Met, has developed a four-pronged stategy during the past six years. This includes rationalising its portfolio of businesses, geographical diversification into the US refurbishing the UK property portfolio, which includes the Chef & Brewer public houses and building the market strength of its drinks' brands, which include Bailey's Irish Cream liquer, J. & B. Rare Whisky, Malibu and Piat D'Or.

While profit growth has been solid, up from £186m pre-tax in 1980-81 to £386.1m in the year ended September 30 1986, the group has drawn criticism for its relatively pedestrian earnings growth in 1985-86.

It leapt into the US in 1980 with the purchase of the Liggett Group, which brought it Paddington and Carillon, the US liquor distribution businesses, as well as tobacco interests, since sold, and food operations. Liggett was seen as a good buy, but its US performance has latterly been dulled by a cigarette price war. And the group's $545m investment in three consumer service businesses, Children's World, child day centre operator, Quality Care, home health care chain and Pearle, optical retailer, whose performance have provoked investors to question the group strategy.

Sir Stanley Grinstead, chairman of Grand Metropolitan

However, a more hand's-on style of management is now in place in the US and the City has become much more bullish about the investment in the long term.

Analysts yesterday warmly welcomed the Heublein acquisition, which will enhance the market position of IDV. It was acquired in 1972, since when the division's trading profits have grown from £12m to £147m in 1986 out of a total group trading profit of £487.4m. The division's growth accounted for more than 40 per cent of the profits progress made by the group between 1979 and 1985.

It is credited by its competitors with having a particular strength in new product development and a worldwide distributor network unrivalled in numbers except for Seagram, the world's largest drinks group in terms of sales volume.

The IDV division however does have a strong dependency in the US on its J & B Rare Scotch Whisky, which while maintaining its share of the market, has lost volume sales because of the trend towards lighter spirits and an increased excise tax imposed last year.

The Heublein acquisition lifts Grand Metropolitan's share of the US market for wines and spirits from about 2 per cent to more than 13 per cent and strengthens its position in growth areas such as lighter spirits and wine.

Grand Met is also likely to buy Almaden, a US wine company acquired in principle by Heublein. In addition to having a large wine and spirits portfolio, Heublein acts as agent in international markets for many of the world's leading drinks brands. IDV will be able to tap into this distribution network getting for the first time, national distributors in Japan and Brazil.

Sir Stanley said that his group and Heublein had a long trading relationship and a merger of the drinks' businesses had been mooted. But Heublein did not want to be a minority shareholder.

He said: "The market is contracting in terms of the number of players. This is now very much an international business and there is a need for strong brands and strong marketing operations."

He added that while Heublein was the number two player in the US wines and spirits market it was not in a similar position in world markets.

St. Andrew Trust shows profit and asset growth

For the year 1986 St Andrew Trust pushed up its pre-tax revenue from £1.57m to £1.92m and earnings from 2.95p to 3.75p, and is lifting the dividend from 2.9p to 3.5p net with a final of 2.25p.

At December 31, the net asset value had risen to 191.1p (149.7p) after prior charges at par, and to 192.1p (150.8p) after those charges at market value.

Results were achieved in spite of smaller companies in America and Japan performing indifferently as interest focused on the larger quoted companies, the directors stated.

In the year franked revenue came to £1.2m (£1.03m) and unfranked to £465,000 (£499,000). The tax charge was £612,000 (£531,000).

The bulk of the trust's profitable dollar/yen hedging was allowed to mature and currency fluctuations were not thought likely to be large enough to justify further hedging.

Dominion MD resigns

MR ERIC WALTERS, managing director of Dominion International Group has resigned after only four months at the company following "substantial changes" in Dominion's future policy.

He will remain as a consultant in the short term, helping with the management of group operations. No details of compensation have been revealed.

Dominion is attempting to become a financial services group and recently disposed of most of its property development interests. Its interim profits to September 31, 1986 were down by 9 per cent due to a poor performance by its natural resources division.

Blue Circle holding reduced

BY NIKKI TAIT

Adelaide Steamship, the Australian investment company headed by Mr John Spalvins, announced yesterday that it has sold some of its shares in Blue Circle Industries, Britain's biggest cement manufacturer.

Its stake, which earlier this month stood at around 9.6 per cent, has now dropped to 8.95 per cent or 11.5m shares.

Last night, merchant bankers Morgan Grenfell, acting for Adelaide, said, "The company felt it was time to take a profit."

Adelaide first disclosed an interest in Blue Circle in mid-November when the cement company's shares were trading at around 650p. Yesterday they dropped 12p to 693p on news of the share sales.

PARKDALE HOLDINGS rights issue has been taken up in respect of 9.12m shares (85.1 per cent). The 1.59m not taken up have been sold in the market at 66.5p.

Savage broadens base with £4.8m acquisition

BY PHILIP COGGAN

Savage, the USM-quoted shelving group, is acquiring Display Tiling Services for £4.85m. It accompanied the announcement with an estimate that its pre-tax profits for the six months to December 31 1986 were not less than £450,000.

The Birmingham-based Display Tiling supplies tile edging and sealing products to DIY wholesalers. It estimates that in 1986 it made profits, before tax and directors' emoluments, of not less than the previous year's £952,000.

Consideration will be satisfied via a vendor placing of just over 347,000 shares at 140p, and the issue of a further 320,000 shares to be retained by the vendors. Further instalments of £2.43m and £1.21m are payable on May 30 1987 and 1988 respectively.

In addition, 625,000 new shares are being placed to raise £875,000 for Savage, which it will use to pay off borrowings. The group is attempting to broaden its product range via a series of small acquisitions.

Greenfriar Inv

Greenfriar Investment Company's net asset value per share was 375.4p at the end of 1986 compared with 285.3p a year earlier, assuming full subscription from outstanding warrants. Per warrant, the figure improved from 173.5p to 263.3p.

The single dividend for 1986 is raised to 2p (1.7p). Net earnings came out at £203,582 (£146,287).

F. Copson advances 9%

On turnover little changed at £3.54m against £3.55m F. Copson, Birmingham-based builders merchant, reported that interim pre-tax profits improved by 9 per cent from £54,189 to £59,225. Mr Fred Copson, chairman and managing director, said the result reflected the control of margins.

Earnings per 5p share for the six months to October 31 1986 rose from 0.92p to 0.99p.

After the end of the period Mr Richard Thompson, a director, and Mr David Thompson, founder and joint chairman of Illingdown, took a controlling stake.

The tax charge was £.400 (£20,200) and after minorities took £2,302 (£816) the retained profit for the half year came out at £35,523 against £33,173.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gr. Yld	P.E. Ratio
§122	F.P.	2/1	153	135	‡Ashtead Group 10p	150	−1	R3.0	3.5	[illegible]	34.3
‖	F.P.	30/1	67	65	‡Avesco (Reg) 1p	67	+2	L0.5	6.6	[illegible]	17.2
¶¶	F.P.	—	28	24	Benson (SGB)	28	+2	bd0.5	3.2	[illegible]	17.5
‖	F.P.	—	54	37	‡Border TV	53½	+2½	2.5	3.2	[illegible]	6.7
§215	F.P.	14/1	228	225	Brierley Invs. $NZ0.50	228	......	Q10.0c	6.4	[illegible]	10.0
135	50	20/2	72¾	61	British Gas	71¼	−¼	w6.5	2.1	[illegible]	11.3
§65	F.P.	8/1	72	63	‡Cap & Reg Prop 10p	70	−2	—	—		36.3
§94	F.P.	6/1	111	107	‡Gaynor Group 10p	107	−4	L2.67	2.8	[illegible]	14.4
§95	F.P.	19/1	119	105	‡Halls Homes&Gdns 5p	117	−1	R2.77	2.7	[illegible]	12.9
§23	F.P.	5/1	29	24	Harmony Leisure 5p	26	......	10.1	12.4	[illegible]	20.9
§100	F.P.	14/1	121	100	‡Hornby Group 5p	101	......	R3.195	2.8	[illegible]	11.5
§128	F.P.	30/1	160	146	Hoskyns Group 5p	160	+4	u1.6	5.6	[illegible]	17.9
§150	F.P.	21/1	170	155	‡Johnson Fry 10p	156	−2	R3.72	3.1	[illegible]	13.7
§65	F.P.	21/1	79	65	Logitek 5p	79	+3	F1.8	3.8	[illegible]	11.5
§144	F.P.	23/1	151	144½	MIL Research 5p	151	......	R3.0	3.4	[illegible]	14.6
§102	F.P.	—	113	104	‡Mayborn Group 5p	111	......	R3.2	3.0	[illegible]	11.5
150	75	—	78	75	Mezzanine Tst. Inc.	77	+1	u10.4	—		—
50	F.P.	—	53	50	Do. Capital 50p	52	+2	—	—		—
§105	F.P.	19/12	105	94½	Miss Sam 10p	95	−7	u3.91	2.4	[illegible]	10.0
§152	F.P.	23/1	158	152	Nobo Group 10p	155	......	F4.75	2.8	[illegible]	[illegible]
170	F.P.	19/12	251	195	‡Spandex 10p	246	......	ud3.0	2.7	[illegible]	30.7
§135	F.P.	9/1	145	138	Somic £1	138	......	u3.5	1.7	[illegible]	—
70	F.P.	9/1	113	90	‡TSB Channel Islands	110	......	R3.92	3.7	[illegible]	7.6
§112	F.P.	8/1	124	119	‡Tribble Harris $0.01	120	−1	rq3.6c	2.8	[illegible]	17.6
§135	F.P.	23/1	151	138	Wilding Office 10p	150	......	u3.25	2.3	[illegible]	19.8

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
¶¶	F.P.	—	110¼p	101p	Brit&Commonwealth7¾%Cv.Sub.Un.Ln.2000	[illegible]	+¼
§110p	F.P.	—	110p	110p	Great Western Res. Ser. 'B' Prf. $0.01	[illegible]	......
§100	F.P.	—	108p	99½p	Hanover Druce 6¾% Cnv. Cum. Red. Prf. £1	[illegible]	......
—	F.P.	—	105p	101p	Intl City Hldgs 8½% Cnv Cum Red Prf £1	[illegible]	+5
‖	F.P.	3/2	106p	102p	Leisure Invs. 7% Cum. Cnv. Red. Prf. £1	[illegible]	......
101.61	£10	19/3	12¾	11½	Mid-Kent Water 8¾% Red Prf. 1997	[illegible]	......
§100	£50	15/5	49½	41½	Mid-Sussex Water 11% Red Deb 2012-16	[illegible]	......
—	F.P.	—	100⅛	100	Nationwide 11⅞% Bds. 21/12/87	[illegible]	......
—	F.P.	—	100¼	100⅛	Do. 11⅛% Bds. 18/1/88	[illegible]	......
‖	Nil	20/2	7pm	3pm	Scantro Hldgs. 7½% Cv. Cm. Rd. Prf. £1	[illegible]	+1

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986/7 High	1986/7 Low	Stock	Closing Price p	+ or −
55	Nil	18/2	20pm	13pm	Belhaven Brewery	13pm	......
143	Nil	20/2	36pm	12pm	Birmingham Mint	36pm	......
100	Nil	19/2	34pm	13pm	‡Freshbake Foods 5p	33pm	......
65	Nil	30/1	16pm	10pm	Marling Ind 10p	16pm	......
14	Nil	12/2	13pm	4½pm	Munton Bros 10p	13pm	......
5	Nil	10/2	1¼pm	1¼pm	‡New Court Natural Res.	1¼pm	......
66	Nil	20/2	9pm	2½pm	Parkdale Hldgs. 10p	2½pm	......
1½	Nil	6/2	2½pm	½pm	‡Property Trust 10p	2½pm	......
10	Nil	10/2	21½pm	10½pm	United Guarantee	20pm	......
—	Nil	—	18pm	7pm	Unitycorp Tst. Warrants	18pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. Pro Forma Figures. t Indicated dividends; cover relates to previous dividend, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ▪ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ [illegible] warrants entitlement.

INTL. COMPANIES and FINANCE

Merrill wins Japanese bank licence

BY IAN RODGER IN TOKYO

MERRILL LYNCH, the leading US securities house, has won approval from the Japanese Ministry of Finance (MOF) for its London banking subsidiary to open a branch in Tokyo, in a move which has startled that city's financial community.

Until now, the focus of attention has been efforts by banks, both domestic and foreign, to obtain securities licences. Japanese law, like that of the US, generally prohibits companies from participating in both the securities and banking businesses, but loopholes have been opened up in the past few years.

Merrill's news yesterday was coupled by a separate announcement from Salomon Brothers, the rival US investment bank, that it plans a tenfold increase in the capital of its Tokyo securities branch, paying in about $300m more in order to underpin its growing business there.

The boost in capital from Y5.1bn to Y52bn ($338.4m) would make Salomon Brothers Asia the fifth largest securities company in Japan in terms of capitalisation, exceeded only by the big four Japanese groups, Nomura, Daiwa, Nikko and Yamaichi. The capitalisation of Yamaichi, the smallest of the four, is Y67.4bn.

Salomon's profit ranking is somewhat lower, but it is probably the most profitable foreign securities company in Japan. In the six months at last March, it had pre-tax profits of Y9.1bn, which ranked it 11th among all securities companies in Japan.

Salomon, a bond specialist, has expanded rapidly in the Tokyo securities markets in the past two years, building its staff from 35 to the current 180. It was one of six foreign securities companies that became members of the Tokyo Stock Exchange late in 1985, and has become a participant in the government's medium-term bond auctions.

Mr Deryck Maughan, Tokyo branch manager, said recently that Salomon would go through another period of rapid growth in the next two years as it intends to expand its yen bond investment, strengthen its research capacity and enter the property business.

Meanwhile Mr William Schreyer, chairman of Merrill, had said in Tokyo last November that the company, which also has a large securities operation in Tokyo, was hoping to obtain a banking licence there as well. The main intention would be to conduct foreign exchange operations.

Under MoF rules, only banks are allowed to conduct foreign exchange business. Foreign exchange business in Japan has mushroomed recently because of the growing popularity of foreign bonds with currency swaps among Japanese institutional investors.

Merrill also felt it needed to compete in banking because several European and two US banks had set up affiliated securities dealers in Japan.

The approval of Merrill's banking licence application was welcomed in the Japanese financial community partly because it demonstrated that Japan was as open to foreign financial institutions as other countries were to Japanese ones. It would increase the pressure on the MoF to allow domestic financial institutions to compete in both the banking and securities sectors in Japan.

However, Mr Yusuke Kashiwagi, chairman of the Bank of Tokyo, the leading foreign exchange bank, said yesterday he was dubious that negotiations on reducing barriers between the securities and banking businesses would get under way soon. "I can smell it, but I cannot see it yet," he said in a meeting with foreign journalists.

● Daiwa Securities has reported a 95.4 per cent consolidated net earnings increase to Y111.785bn for the year to September, on turnover up 59.3 per cent to Y594.12bn.

Puma hit by heavy US loss and write-offs

By Andrew Fisher in Frankfurt

SHARES of Puma, the West German sports shoe and clothing company, collapsed yesterday after the announcement of heavy losses in the US and the need for extra loan financing by the majority shareholders.

Puma, a high flyer when it came to the stock market last July, said it lost $27m (DM 54m) in the US last year. At best, therefore, it would only break even, with profits from elsewhere covering US losses and write-offs. In 1985, it made DM 19m before tax.

As well as the steep slide in the dollar, Puma said it was hit by the success of the rival Reebok concern, whose light non-sports fashion shoes were highly popular in the US.

Puma's shares dropped by DM 159 to DM 450 yesterday on the news of the US losses. Frankfurt analysts said the scale of the North American problems surprised the market. Issued at DM 310, the preference shares had soared to DM 1,550 last summer before settling down at around DM 700.

The controlling shareholders, brothers Armin and Gerd Dassler, have had to make a joint DM 62m subordinated loan to the company to help repair its finances. They will receive no dividend, but preference holders will be paid the promised DM 9.

Total world turnover of Puma, which has tennis champions Boris Becker and Martina Navratilova under contract as well as Diego Maradona, the Argentine football star, fell from DM 1.8bn to DM 1.5bn last year. The parent company figure was DM 703m, against DM 803m, with a slump in the US to DM 91m from DM 272m.

The Dassler brothers have moved back onto the management board from the supervisory board as a result of Puma's troubles. Mr Armin Dassler becomes chairman.

Highlighting the difficulties in the US, the rival Adidas sports equipment group said it was laying off 450 workers from its 4,100 German labour force. The unquoted Adidas is run by Mr Horst Dasler, a cousin of Armin and Gerd. The companies are both based in the Bavarian town of Herzogenaurach.

Holmes a Court in TV move

BY BRUCE JACQUES IN SYDNEY

MR Robert Holmes à Court, the West Australian entrepreneur — unrepentant yesterday after his capitulation to Mr Rupert Murdoch in the battle for the Herald and Weekly Times (HWT) media group—said he planned to form a mini domestic television network from his Perth and Adelaide stations and a Melbourne channel acquired in Thursday's deal with his former rival.

He claimed he had been ready to outbid Mr Murdoch's News Corporation for HWT just before the matter was resolved. He was satisfied with the outcome, he added but his original plan had been to take control of the entire Herald group.

Under the deal worked out late on Thursday, Mr Holmes à Court has sold his 12 per cent of Queensland Press and 4 per cent of HWT to Murdoch interests at a profit of around A$100m (US$65.1m). He has dropped his own HWT bid and all litigation.

In return, Mr Murdoch has agreed to sell key Herald assets, Melbourne's HSV7 television station and The West Australian newspaper group to Mr Holmes à Court for about A$460m.

At a meeting called yesterday by the Australian Broadcasting Tribunal to clarify its powers in the Herald deals, counsel for Mr Holmes à Court withdrew a request that the tribunal exercise its powers.

However, a Federal court decision on whether Mr Murdoch, as a US citizen, can own Australian television stations, could still hold up his Herald plans as could any action taken by the Trade Practices Commission.

Mr Murdoch has gone some way towards satisfying that body by agreeing to sell three newspapers, the Daily Sun and Sunday Sun in Brisbane and the Daily News in Adelaide.

Media shares weakened on the Sydney Stock Exchange in the wake of the battle yesterday, with Queensland Press down to A$32, below the A$23 a share foreshadowed bid for the company from the Murdoch family company, Cruden Investments. John Fairfax shares fell A$1.10 to A$10.90 after Mr Greg Gardiner, managing director, told the stock exchange his company was withdrawing its own proposed A$24 a share bid for Queensland Press.

Sales decline by 8% at Philips

BY LAURA RAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, said its sales fell about 8 per cent to around Fl 55bn ($28.6bn) in 1986 due to exchange-rate movements and hinted that profits would be lower.

Mr Cor van de Klugt, president, yesterday confirmed an earlier forecast that fourth-quarter earnings would not be lower than the year-earlier level although he did not specify whether they were higher. Flat profits in the final quarter still would leave full year figures 14 per cent lower at Fl 787m, so a healthy spurt would be needed to make up the difference.

The devenue decline came as little surprise following the 9 per cent drop for the first nine months. Turnover in volume terms grew 5 per cent.

Mr Van der Klugt said 1986 "has not been an easy year for Philips and no less a tumultuous one than 1985. But all in all there is no reason for dissatisfaction. While things are not going as well as the company would like they are not going as badly as is sometimes suggested."

A drop in 1986 net income would make the second year in a row of falling profits following a 17 per cent plunge in 1985. Last year's troubles are mostly blamed on the sharply lower dollar although production inefficiencies also took their toll.

Paragon Resources buys control of Filipino mine

BY STEFAN WAGSTYL IN PERTH

PARAGON RESOURCES, the Australian mining company which was born out of the ashes of the former British Petroleum subsidiary Seltrust Holdings, is buying control of a goldmine in the Philippines.

In a move which highlights the renewed interest of overseas companies in the Philippines following the overthrow of former Pesident Ferdinand Marcos, Paragon is spending A$6m (US$4m) on a 40 per cent stake in Philippine Eagle Gold Mine at Paracale, some 200 km east of Manila. Various Filipino partners will hold the remaining 60 per cent.

The mine is in a gold-rich district on the coast of Luzon island which attracts hundreds of peasant miners panning for gold and searching for nuggets. But it has had a checkered past. The mine was one of the Philippines' largest producers during the Second World War but closed in 1952 due to low gold prices. In 1970 Metals Exploration, an Australian company which is now part of entrepreneur Mr Alan Bond's gold interests, explored the area. But the mine was taken over by President Marcos. A group of his supporters spent $20m installing plant and sinking shafts but abandoned the scheme when the workings flooded.

Paragon, which has plans to cope with the flooding, says the mine has underground reserves of 1.3m tonnes of ore grading 13.57 grams a tonne and 800,000 tonnes of 13 grams a tonne ore which can be mined on the surface. These figures would put the mine among the richest in the world. Paragon plans to start open-cut (surface) production by the autumn.

Strong rise in earnings at Marine Midland

By Our Financial Staff

Marine Midland, the 12th largest US bank, lifted fourth-quarter net earnings by $8m, to $38m, or to $1.89 a share from $1.47, reflecting strong growth in net interest income and revenues from several fee-based businesses.

Loan-loss provisions were down at $44.1m from $89.2m a year ago but up on the $30.4m for the preceding quarter. Charge-offs were $37.4m, from $65m.

For the year Marine's earnings reached $145m, or $7.19 a share, up from $125m, or $6.06. At year-end loan-loss reserves totalled $269.7m, equal to 1.44 per cent of total loans, compared with $246.8m, and 1.58 per cent 12 months earlier.

Hero acts to thwart Suchard bid

By John Wicks in Zurich

HERO, the Swiss jam maker which earlier this week rejected a bid from Jacobs Suchard, will refuse to register shares bought by the Zurich-based coffee and chocolate concern.

In addition to this move, which only applies to registered shares, Hero will also apply a statutory ruling that no single shareholder shall own more than 10 per cent of the overall capital.

Colima Holding, which controls Jacobs Suchard, had on January 8 purchased a packet of 20,000 bearer shares and 30,000 registered shares of Hero. This accounts for 30 and 32 per cent of the respective share categories.

● Hero has a stock market value of about $200m, not $20m as wrongly printed in yesterday's issue.

$50m charge at MCA

BY ANATOLE KALETSKY IN NEW YORK

MCA, the major film, record and media company which owns Universal Pictures, reacted yesterday to the dramatic deterioration in the US television business in recent months with a decision to take a $50m charge on its 1986 earnings.

This would result in operating income for the fourth quarter being "substantially or totally eliminated," the company warned. MCA said that its announcement follows a series of meetings held between the company's syndication, financial and legal staff to assess "the unprecedented financial difficulties being experienced by a large number of television stations."

Severe financial problems have become increasingly apparent in recent months throughout the TV business, as advertising revenues have failed to meet projections for numerous media companies which have assumed enormous amounts of debts to finance the wave of takeovers in the TV business.

Setback at Smit Internationale

SMIT INTERNATIONALE, the Dutch transport and salvage group, suffered a fall of almost 53 per cent in net income for the year ended September 30, from Fl 18.4m to Fl 8.7m ($4.2m).

Smit said the depressed offshore industry as well as the weak dollar and sterling dragged down earnings, AP-DJ reports from Rotterdam. As a result, Smit cut its fiscal 1986 cash dividend to Fl 1 from Fl 2.75. No revenue figures were disclosed. In fiscal 1985, turnover was Fl 648m.

The company said that assuming world oil prices and the offshore industry remain depressed along with a persistently weak dollar and sterling, a financial loss is indicated for the year.

Fermenta forecasts 'grossly deceptive'

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

INFORMATION SUPPLIED to Fermenta shareholders in the company's profits forecasts for 1986 was "grossly deceptive," the Stockholm Stock Exchange said yesterday.

The stock exchange voted unanimously on Thursday to expel Fermenta—the harshest disciplinary sanction it can impose — with effect from Monday.

The stock exchange said yesterday that the company's conduct had been "almost unprecedented."

It said that in the period it had been a listed company—since the summer of 1984—it had supplied the stock exchange and the stock market with "misleading" information.

The stock exchange has made clear that it is still dissatisfied with the financial information that has subsequently been supplied by the company. It said that "the company is judged to be unable to deliver the necessary information within a reasonable period."

"It is obvious that the company today does not fulfil the demands for listing on the stock exchange." The board said that the fact that the company now had a new ownership structure, board and management did not change this judgment.

The Fermenta shares have already been suspended for five weeks. When the de-listing takes effect on Monday, trading will be taken up on Stockholm's largely unregulated unofficial market.

At the same time the stock exchange announced the setting up of a new inquiry headed by Mr Sten Walberg, former head of the Bank Inspectorate, into all the issues of principle raised by the Fermenta scandal.

In other developments yesterday:

● Ten members of the former Fermenta board were sued for damages in a Stockholm district court by angry Fermenta small shareholders, many of whom have lost a large part of their savings.

The claims lack all precedent in Swedish corporate law and the cases are expected to take two to four years to complete before they are finally decided in the Swedish supreme court.

● Mr Sune Dahlberg, the newly appointed managing director of Fermenta, claimed yesterday that his signature had been forged on the group's interim report that was sent out to shareholders at the end of October.

COMMODITIES AND AGRICULTURE

WEEKLY PRICE CHANGES

	Latest prices per tonne unless stated	Ch'nge on week	Year ago	1986 87 High	1986 87 Low
METALS					
Aluminium					
Free Market c.i.f.	$1255 275	+10	$1240/1260	$1400/1450	$1150/1170
Antimony					
Free Market 99.6%	$2250 500	−5	$2710 2770	$2720 2780	$2500/2550
Copper-Cash Grade A	£891	−22.5	£999.5	£1028.5	£862.25
3 months Grade A	£912.25	−24	£1025.25	£1059.25	£881.25
Gold per oz	$415.25	+11	$353.5	$439.375	$327.5
Lead Cash	£307.75	−21.25	£263	£376.5	£233.5
3 months	£307.25	+5	£264.75	£337.5	£241.25
Nickel					
Free market	160/180c	+3.5	183 203c	196 216c	158/177c
Palladium	$125.25	−0.5	$104.50	$151.00	$95.25
Platinum per oz	$530.75	+25.25	$362.50	$673.75	$342.50
Quicksilver (76 lbs)	$150/160	−5	$220 240	$250/260	$115/125
Silver per oz	369.45p	+4.40	430.75p	452.10p	317.70p
3 months per oz	379.45p	+4.75	443.30p	466.20p	325.60
Tin					
Free market	£4,550/580	−35	†	£5900/6250	£3,420 450
Tungsten Ind	$41.44	—	$63.71	$69.74	$41.44
Wolfram (22.04 lb)	$35/45	—	$53/61	$56/65	$32/42
Zinc cash	£508.5	−21.5	£445.5	£632.5	£409
3 months	£501.5	−23.25	£457.75	£621.75	£419.25
Producers	$820	—	$660/700	$920	$650/670
GRAINS					
Barley Futures Mar.	£112.60	−0.25	£118.45	£118.80	£95.60
Maize French	£144.00	−0.05	£141.00	£154.00	£130.00
WHEAT Futures Mar.	£113.40	—	£117.70	£121.45	£98.30
SPICES					
Cloves	$3,800	—	$4800	$5,100	$3,900
Pepper white	$6,200	−200	$6700	$6,725	$4,600
black	$4,750	−50	$4250	$4,700	$3,600
OILS					
Coconut (Philippines)	$420y	+10	$382.5	$470	$200
Palm Malayan	$330z	—	$380	$405	$197
SEEDS					
Copra (Philippines)	$260	+30	$220	$290	$140
Soyabeans (U.S.)	$149	−2	$227.4	$229.5	$137.5
OTHER COMMODITIES					
Cocoa Futures Mar.	£1400.5	−9	£1715.5	£1,804.5	£1,264.5
Coffee Futures Mar.	£1559	−89	£2417.5	£3,007.5	£1,631
Cotton Outlook A Index	65.65c	+0.55	38.60c	65.65c	36.35c
Gas Oil Fut. Mar.	$162.25	+2.25	$186.75	$232.75	$90.75
Jute LJA BWC grade	$310	+30	$515	$320	$215
Rubber kilo	66.50p	+0.75	59.5p	68p	54p
Sisal No. 3L	$610	—	$595	$625	$590
Sugar (Raw)	$161y	+10	$116	$232.5	$115
Tea (quality) kilo	175p	—	180p	202p	175p
(low med) kilo	108p	−5	105p	136p	80p
Wooltops 64s Super	421p kilo	−6	400p Kilo	429p kilo	387p kilo

† Unquoted. (g) Madagascar. (x) Jan-Feb. (w) Dec-Jan. (y) Feb-March. (z) Feb.

LONDON MARKETS

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	783-4	—	—
3 months	794-4.5	−0.25	796/792

Official closing (am): Cash — (789-90), three months — (799-800), settlement — (790). Final Kerb close: 794.4.5.

Turnover: 12,450 tonnes.

COPPER

Grade A	Unoffic'l close	+ or −	High/Low
Cash	890.5-1.5	−11.0	—
3 months	912-2.5	−11.5	923/911

Official closing (am): Cash — (905-5.5), three months — (927-7.5), settlement — (905.5). Final Kerb close: 911-11.5.

Standard			
Cash	852-4	−15.5	—
3 months	888-90	−12.0	—

Official closing (am): Cash — (879-80), three months — (904-5), settlement — (880). US Producer prices: 64.00-68.00 cents per lb.

Total turnover: 32,100 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	307.5-8	+16.25	307/307
3 months	307-7.5	+14.0	307.5/295

Official closing (am): Cash — (293-3.5), three months — (293-3.5), settlement — (293.5). Final Kerb close: 303-4.

Turnover: 10,700 tonnes. US Spot: 24.00-29.00 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2350-5	+46.0	—
3 months	2394-6	+57.0	2400/2375

Official closing (am): Cash — (2,315-20), three months — (2,370-5), settlement — (2,320). Final Kerb close: 2,375.85.

Turnover: 624 tonnes.

KUALA LUMPUR TIN MARKET—Close: 17.20 (17.19) ringit per kg. Up 0.01 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	508-9	+18.25	509.506.5
3 months	501-2	+13.25	502/490

Ojcial closing (am): Cash — (492-3), three months — (491-1.5), settlement — (493). Final Kerb close: 496-7.

Turnover: 14,925 tonnes. US Prime Western: 41.00-44.75 cents per lb.

GOLD

Gold eased just $¼ an ounce from Thursday's close in the London bullion market yesterday to finish at $415-415½. The metal opened at $414¾-415¼ and traded between a high of $416¾-417 and a low of $413-413½. Early trading saw gold improve on short covering ahead of the weekend and expectations that the dollar would show further losses. As a result the metal managed to recover most of the ground lost on Thursday.

GOLD BULLION (fine ounce) Jan. 16		
Close	$415-415½	(£273¾-274¼)
Opening	$414¾-415¼	(£275½-276)
M'n'g fix	$414.50	(£275.598)
Aft'n'n fix	$415.70	(£274.480)

GOLD AND PLATINUM COINS		
Am Eagle	$427-432	(£281½-285)
Mapleleaf	$426¼-431¼	(£281½-284½)
Kr'g'r'nd	$415-417	(£273¾-275)
½ Krug	$207-217	(£136½-143)
¼ Krug	$103½-111¼	(£68¼-73¼)
Angel	$424-427	(£279½-281½)
1/10 Angel	$42¼-47¼	(£27¾-31¼)
New Sov	$98-100	(£64½-65½)
Old Sov	$98½-100	(£65-66)
$ 20 Eagle	$430-470	(£283½-310)
Noble Plat	$543-553	(£358-364¼)

SILVER

Final kerb three months 378-80p.

Silver was fixed 0.3p an ounce lower for spot delivery in the London bullion market yesterday at 369.45p. US cent equivalents of the fixing levels were: spot 556.2c, down 0.5c; three-month 564.5c, down 0.3c; six-month 572.25c, down 0.8c; and 12-month 588.9c, down 0.55c. The metal opened at 370-371½p (557-558c) and closed at 368¾-369¼p (556-558c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	369.45p	−0.30	371.25p	+0.75
3 months	379.45p	−0.20	379.5p	−1
6 months	388.80p	−0.55	—	—
12 months	406.25p	−0.65	—	—

LME—Turnover: 0 (28) lots of 10,000 oz.

INDICES

REUTERS

Jan. 16	Jan. 15	M'th ago	Year ago
1588.2	1591.8	1647.3	1847.7

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Jan. 15	Jan. 14	M'th ago	Year ago
Spot	116.45	116.14	—	135.40
Fut	115.98	116.51	—	155.65

(Base: December 31 1931 = 100)

SOYABEAN MEAL

	Y'sterd'ys close £ per tonne	+ or −	Business done
Feb	130.0 133.0	−1.50	—
April	129.0-130.0	−2.00	130.5
June	121.0 121.5	−2.75	—
August	119.0 120.0	−2.00	120.5-119.0
October	120.5 121.0	−2.25	121.0
Dec	122.5 125.5	−2.50	125.0-123.0
Feb	124.5-125.5	−1.50	—

Sales: 330 (105) lots of 20 tonnes.

COFFEE

By mid-afternoon London had posted new contract lows, reports Drexel Burnham Lambert. Aggressive commission house selling pushed levels £50 lower and met little resistance. Reports from the IBC concerning future operations prompted short-covering late in the afternoon and the market recovered its losses.

COFFEE	Yesterday close	+ or −	Business Done
Jan	1540-1545	−10.0	1555-00
Mar	1558-1560	+1.5	1569-10
May	1592-1595	+5.0	1593-40
July	1610-1615	−2.5	1616-70
Sept	1640-1645	+5.0	1630-00
Nov	1660-1670	+5.0	1664-34
Jan	1640-1670	−5.0	—

Sales: 5,516 (4,019) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for January 15: Comp daily 1979 115.61 (116.20): 15-day average 121.20 (122.02).

COCOA

Futures initially posted small gains but the effect of stronger sterling coupled with trade selling resulted in a weaker close. Both producers and industry participated on the actuals side, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
March	1571-1572	−6.0	1578-1571
May	1400-1401	−3.0	1405-1400
July	1426-1428	−4.0	1433-1427
Sept	1453-1454	−5.5	1468-1455
Dec	1482-1483	−7.0	1490-1480
March	1510-1513	−7.0	1517-1512
May	1532-1533	−2.5	1538-1532

Sales: 2,805 (2,149) lots of 10 tonnes.

ICCO indicator prices. Daily price for January 16: 90.74 (90.26): five-day average for January 19: 90.00 (89.68) US cents per pound. Daily price 1,595.86 (1,580.95): 10-day average 1,599.63 (1,605.65) SDRs per tonne.

POTATOES

With warmer conditions over most of the country and lower prices in Amsterdam, the market fell sharply on opening to record a fall of more than £5.00 during the morning, before some book-squaring in the afternoon lifted values to the day's highs near the close, aided by a Dutch export figure of 34,500 tonnes—well above expectations, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Feb	110.00	110.50	—
Apr	159.50	162.90	158.70-156.60
May	179.00	182.50	179.00-176.00
Nov	88.50	88.50	—
Feb	100.50	100.80	—

Sales: 1,692 (1,494) lots of 40 tonnes.

RUBBER

PHYSICALS—The London market opened slightly easier, found little interest throughout the day and closed very quiet, reports Lewis and Peat. Closing prices (buyers): spot 66.50p (66.75p); Feb 64.50p (64.75p); March 64.75p (65.00p). Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No. 1 230 (231) and SMR 20 210 (same).

FUTURES—Index 671, Feb 680-690, March 685-695, April-June 690-700, July-Sept 696-711. Sales: Nil.

GRAINS

Mnth	WHEAT Yestrdy's close	+ or −	BARLEY Yest'rdy's close	+ or −
Jan	111.20	−0.05	111.10	−0.30
Mar	113.40	−0.10	112.60	−0.15
May	115.90	−0.10	113.75	−0.20
July	117.95	−0.10	—	—
Sep	100.65	−0.30	100.20	−0.10
Nov	102.75	−0.50	105.20	−0.05
Jan	105.75	−0.20	106.10	+0.05

Business done—Wheat: Jan 111.35-1.25, March 113-55-3.40, May 115.95-5.80, July untraded, Sept 100.70, Nov 103.05-2.90, Jan 105.90. Sales: 99 lots of 100 tonnes. Barley: Jan 111.40-1.25, March 112.65-2.60, May untraded, Sept 100 25-0 20, Nov 103.25, Jan untraded. Sales: 61 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: E. Mids 111.80, N. East 112.50. The UK monetary co-efficient for the wek beginning Monday January 26 (based on HGCA calculations using 3 days' exchange rates) is expected to change to 1.314.

LONDON GRAINS—Wheat: US dark northern spring No. 1 15 per cent Feb 103.00, March 103.75. US No. 2 soft red winter Jan 101.75, Feb 103 75. French 11½-12 per cent Jan 142.00. English feed fob Jan 116.75, Feb 117.75, March 119 00 sellers, April/June 120 00. 120.50 buyer/seller. Maize: US No. 3 yellow/French transhipment east coast Jan 144.00. Barley: Jan 116.75 seller, English, Feb 115.00-116.00 buyer/seller Scottish, Jan/March 116.00 seller Scottish.

SUGAR

No. 6 Contract	Y'sterd'ys close	Previous close	Business done
	$ per tonne		
Mar	152.2-152.4	152.2-152.4	152.8-150.0
May	156.8-157.0	156.8-156.6	157.0 154.4
Aug	160.6-161.0	160.8-161.2	161.0-158.8
Oct	165.0-165.4	164.4-164.8	165.0-165.6
Dec	168.0-168.8	166.6-169.4	—
Mar	177.0-178.0	178.0-178.4	177.0
May	180.0-182.8	180.0-164.0	—

PARIS—(FFr per tonne): March 1165-1167, May 1195-1197, Aug 1235-1242, Oct 1265-1277, Dec 1297-1314, March 1335-1360.

LONDON DAILY PRICE—Raw sugar $161.00 (£107.00), down $3.50 (down £2.50) a tonne for February-March delivery. White sugar $188.50, down $1.00.

Sales: 1,417 (1,431) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £210.50 (£213.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for January 15: Daily price 6.36 (6.46): 15-day average 5.71 (5.64).

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	832/834	832/825	820/824
April	803/804	806/803	804/806
July	665/669	—	670
Oct.	798/800	800	800
Jan.	840	—	840
Apr.	830	830	820/825
July	720/750	—	690/730
Oct.	780	—	800
BFI.	827	—	813.5

US MARKETS

WITH WORLD OIL prices barely steady, crude oil futures failed to make any significant headway, reports Drexel Burnham Lambert. Light trade buying in the face of pre-weekend liquidation in a market dominated by locals saw prices hold slightly above Thursday's levels. The metals were mixed. Profit-taking by the locals weakened copper. Light trade selling and profit-taking in gold futures tended to put a lid on the market. Commission house buying in silver caused it to close barely steady. In platinum futures local buying was insufficient to break scale-up selling by the trade and commission houses.

In the softs origin selling in coffee futures kept the market under pressure before a short-covering rally pared losses, whilst cocoa was steady on commission house buying and stops following news of a coup in Ecuador. In sugar futures scale-up trade selling and price-fixing prevented any rise.

In the grains wheat was steady in the new crop months following Thursday night's crop reports, but lower in old crop months. Maize was steady on commercial buying whilst soya oil continued firm on overseas buying.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Jan	52.70	—	—	53.00
Feb	52.85	—	—	53.15
March	53.00	53.30	53.00	53.30
May	53.10	53.20	53.20	53.30
July	53.15	—	—	53.30
Sept	53.20	—	—	53.35
Jan	53.65	—	—	53.80
March	53.80	—	—	53.95
May	53.90	—	—	54.05

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
March	1898	1907	1885	1881
May	1931	1940	1921	1916
July	1955	1963	1944	1940
Sept	1978	1983	1980	1970
Dec	2009	2020	2005	1998
March	2029	—	—	2018

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
March	122.20	123.45	121.00	122.25
May	124.40	125.75	122.20	125.85
July	127.50	128.00	125.00	128.28
Sept	128.55	—	126.75	129.88
Dec	130.75	132.25	128.50	131.80
March	132.50	—	—	132.00
May	133.38	—	—	132.80

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Jan	60.10	60.25	60.25	60.80
Feb	60.20	—	—	60.95
March	60.60	61.00	60.50	61.35
May	61.10	61.60	61.00	61.85
July	61.55	61.85	61.45	62.25
Sept	61.85	62.10	61.90	62.60
Jan	62.80	—	—	63.35
March	63.25	63.25	63.25	63.75
May	63.55	—	—	64.05

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	58.67	58.98	58.45	58.18
May	58.10	58.30	57.79	57.58
July	57.45	57.65	57.20	57.06
Oct	56.50	57.00	—	56.00
Dec	56.00	56.20	55.75	55.52
March	56.12	56.25	56.10	56.10
May	56.36	—	—	56.35

CRUDE OIL (LIGHT) 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	19.10	19.20	18.95	19.14
March	18.79	18.91	18.66	18.81
April	18.48	18.62	18.37	18.50
May	18.25	18.28	18.10	18.19
June	18.00	18.10	17.75	17.07
July	17.85	17.90	17.63	17.70
August	17.75	17.75	17.43	17.82
Sept	17.70	17.75	17.40	17.37
Oct	17.45	17.50	17.30	17.25

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	416.3	—	—	416.9
Feb	417.3	418.3	414.7	417.0
March	419.0	418.0	418.0	418.7
April	421.2	422.1	418.5	420.9
June	424.8	426.0	423.0	424.5
August	428.4	429.0	426.1	428.1
Oct	432.0	429.2	429.2	431.7
Feb	439.5	440.0	436.5	439.2
June	447.2	447.0	445.0	446.9

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Feb	55.35	55.80	54.90	55.42
March	53.90	54.30	53.50	54.17
April	51.15	51.50	50.80	51.47
May	49.10	49.25	48.65	49.17
June	48.00	48.10	47.60	48.00
July	47.85	47.85	47.30	47.90
August	48.75	48.75	48.00	48.20

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	122.25	123.75	121.80	121.75
March	124.10	125.50	122.75	123.15
May	124.75	126.00	123.95	123.65
July	124.85	126.00	124.50	124.00
Sept	125.45	126.00	124.20	124.65
Jan	125.45	—	—	126.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Jan	534.9	532.5	531.5	530.9
March	534.9	—	—	—
April	538.2	539.5	528.5	534.2
July	541.0	541.0	532.5	537.7
Jan	548.5	543.0	541.0	545.7
April	553.5	—	—	550.7

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Jan	560.3	560.0	557.0	560.3
Feb	561.9	—	—	561.9
March	564.7	567.0	560.0	564.7
May	570.5	572.5	566.0	570.5
July	576.1	578.5	571.0	576.1
Sept	582.1	582.5	570.0	582.1
Jan	594.3	—	—	594.3
March	600.3	600.0	596.5	600.3
May	606.6	—	—	606.6

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	6.76	6.83	6.68	6.79
May	6.98	7.00	6.89	6.95
July	7.13	7.13	7.07	7.13
Sept	7.20	7.14	7.15	7.23
Oct	7.36	7.40	7.29	7.34

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	59.27	59.37	58.97	59.07
April	59.10	59.15	58.75	58.95
June	57.82	57.90	57.55	57.77
Aug	56.55	56.60	56.30	56.47
Oct	55.10	55.30	55.00	55.05
Feb	55.55	—	—	55.55

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	47.70	48.10	47.30	47.60
April	42.85	44.10	43.50	43.80
June	45.87	46.25	45.75	46.02
July	45.80	46.07	45.72	45.85
Aug	43.40	43.37	43.40	43.60
Oct	40.55	40.65	40.40	40.40
April	38.50	39.60	38.35	38.15

MAIZE 5,000 bu min, cents/56 lb bushel

	Close	High	Low	Prev
March	158.4	162.0	—	157.6
May	164.8	166.2	162.4	164.2
July	169.6	171.4	167.6	168.4
Sept	171.6	175.0	171.6	172.2
Dec	175.4	178.4	175.2	176.2
March	183.4	185.4	—	184.0
May	188.2	188.0	185.4	186.2

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	63.42	64.50	62.90	64.20
March	62.45	61.45	62.05	63.00
May	62.65	63.75	62.75	63.50
July	61.57	62.15	61.20	61.70
Aug	59.37	59.95	59.20	59.67

SOYABEANS 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
Jan	497.6	498.4	495.6	497.0
March	497.6	499.0	495.4	497.2
May	499.4	500.6	497.6	499.2
July	501.0	501.4	—	500.0
Aug	500.0	500.0	497.2	499.4
Sept	488.0	489.4	487.0	490.0
Nov	486.0	488.2	483.4	484.2
Jan	492.2	492.4	—	491.4
March	499.4	—	—	520.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Jan	148.7	149.2	147.7	148.1
March	144.3	144.8	144.1	143.9
May	143.3	144.2	143.2	144.3
July	143.3	144.0	143.2	144.2
Aug	143.1	143.6	143.1	144.0
Sept	142.6	143.3	142.5	143.7
Oct	142.4	143.0	142.0	143.5
Dec	143.8	144.0	143.6	144.4
Jan	144.4	144.3	144.5	144.8

SOYABEAN OIL 60,000 lbs, cents/lb

	Close	High	Low	Prev
Jan	15.97	16.09	15.85	15.69
March	16.15	16.29	15.96	15.90
May	16.42	16.50	16.15	16.15
July	16.69	16.64	16.23	16.36
Aug	16.47	16.53	16.25	16.27
Sept	16.35	16.45	16.25	16.15
Oct	16.20	16.20	—	16.00
Dec	16.20	16.42	16.05	16.00
Jan	16.22	16.29	16.25	16.01

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
March	287.6	285.0	280.2	283.4
May	267.4	269.2	266.4	268.4
July	250.6	251.4	—	250.0
Sept	250.4	251.4	250.4	250.6
Dec	255.8	256.2	254.4	256.4
March	262.6	265.0	262.2	263.4

SPOT PRICES—Chicago loose lard 15.50 (same) cents per pound. Handy and Harman silver bullion 557.0 (555.5) cents per troy ounce.

OIL

February Brent closed unchanged from Thursday's Houston close after trading thinly at slightly lower levels. February WTI opened 4c down on Nymex and traded 3c down at 1.30 pm EST. In the petroleum products market naphtha and gasoline talked weaker in thin trade. Buying interest for gas oil was thin due to operational and transportation difficulties caused by ice and talk weakened. Fuel oil firmed on end-user buying activity—Petroleum Argus, London.

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)—Feb.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.20-17.30	−0.10
Brent Blend	18.75-18.80	−0.10
W.T.I. (1pm est)	19.00-19.10	+0.325
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	184-189	−1
Gas Oil	174-177	−3
Heavy fuel oil	119-121	+2
Naphtha	165-167	−2

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yestrdy's close US $ per tonne	+ or −	Business Done
Feb	169.50	−4.25	172.50-69.25
Mar	162.25	−3.25	164.00-62.00
Apr	155.25	−3.25	157.50-55.00
May	148.50	−3.00	151.00-48.50
June	147.50	−3.00	149.00-47.50

Turnover: 3,116 (3,935) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yesterday close US $ per tonne	+ or −	Business Done
Feb	100.00	−14.0	—
Mar	106.00	−1.00	—
Apr	103.00	−3.00	—

Turnover. 0 (0) lots of 100 tonnes.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 98.43p per kg lw (+2.75). GB—Sheep 197.61p per kg est dcw (+12.85). GB—Pigs 75.26p per kg lw (+2.93). GB—AAPP 85.32p per kg dw (−1.79).

FUTURES—Pigs: Feb 95.00, sales 10. Live cattle: June 100.00, sales 5.

WORLD STOCK MARKETS

NEW YORK

WALL STREET

Profit-taking pares heavy share gains

THE NEW YORK market was affected by significant profit-taking from early in the morning, but investors seemed uncertain whether to buy or sell as firmness in bonds and the dollar gave rise to some optimism.

"Buyers are becoming a little less aggressive and some stocks that had big moves in the last few days are giving some ground," said one analyst.

The Dow Jones Industrial Average was unchanged at 2070.72 at lunchtime, but declines led advances by nearly two-to-one as a heavy volume of shares changed hands. Utilities were off 1.21 at 221.79, but Transports were up 5.09 at 868.82. The NYSE composite index shed 0.38, standing at 151.71.

Volume continued to climb at an even stronger pace than on Thursday, the heaviest volume day in history. With stock prices slightly easier the lunchtime volume was 146m. Traders said investors were becoming sceptical of the 10-day rally and were taking profits.

However, strength in the bond market in reaction to a steadier US dollar and speculation that Japan may soon lower interest rates kept a floor on the market's decline.

Pan Am led the active stocks with a rise of 50 cents to $6¼.

CANADA

Canadian stock prices hit a wall of profit-taking after several days of bullishness. Golds were affected by lower bullion prices and Real Estates and Transportations fell victim to profit-takers, analysts said. The Toronto Composite Index declined 9.94 points to 3,272.96 after closing at a record high of 3,282.90 on Thursday. Losses outnumbered gains 406 to 326 on a volume of 19.1m shares.

Among the active Industrials was Bank of Nova Scotia, up ⅛ at C$18⅛. The strong performance of the Canadian dollar led the Bank of Canada to reduce its bank rate to 8.20 per cent. Observers expect banks to begin lowering their prime rates in response to the bank rate cut, although so far little movement has been seen. Toronto-Dominion Bank fell ⅛ at C$25¾, and Bank of Montreal was unchanged at C$36. Noranda topped the active Mines list, down ⅛ at C$23. Placer Development was down ⅛ at C$34⅛.

TOKYO

The Japanese stock market average surged to close at a record high on expectations of co-ordinated interest rate cuts, influenced by Wall Street's extended rally. The market average climbed 365.36 to 19,149.63, surpassing the previous record. Foreign and domestic institutions funneled funds into those financial shares which were relatively cheap and likely to benefit from lower interest rates.

Following Thursday's holiday, volume rose to 1.2bn shares (900m on Wednesday) and advances led declines three to two.

Financial shares were strongest but then also was buying of Communications, Transport, Gas, Warehouse, Real Estate and other domestic issues, boosted partly by expectations of a possible revision of Japan's supplementary budget to further aid the domestic economy in response to the yen's sharp appreciation.

But the rising yen provoked selling of export-related Electrical, Motor and Precision shares, while Mines, Rubbers and Airlines also eased.

GERMANY

Share prices closed mixed with a firmer bias in Frankfurt just sustaining the stronger trend over possible interest rate changes and Wall Street's firm tone. Much of the session's focus was on sports goods maker Puma, which slumped to end DM 147 lower at DM 462 after the news that majority shareholders Armin and Gerd Dassler are making two loans of DM 62m to avert a loss due to "miserable" sales in the US. The Commerzbank index rose 11.7 to 1,928.4.

Dealers said much of the easier tone at the close came from profit-taking ahead of the weekend after a relatively steep rally. Deutsche ended DM 3.50 up at DM 791.50 but well down from its highest and Daimler was off one at DM 1,128 after touching DM 1,142. Siemens rose three to DM 712, after touching DM 714.02.

Dresdner Bank was DM 3.70 higher at DM 396, Commerzbank rose two to DM 304, but BHF jumped to end at DM 515.

AUSTRALIA

Australian share markets closed lower as a late bout of heavy selling sent most sectors downward. Takeover speculation surrounding BHP and CSR, which earlier boosted the market, evaporated as selling in the media sector spilled over into the rest of the market. By the close, the all ordinaries index was nine points lower, the all industrials fell 17.3 and the all resources index shed 2.6.

In heavy turnover, the surprise backdown by J. N. Taylor Holdings in the battle for control of HWT caught many investors by surprise, removing one of the main props to performance. Fairfax slumped A$1.10 to A$10.90, after withdrawing its bid for Queensland Press, Advertiser fell one to A$6.0, News lost 60 cents to A$17.40 and HWT 45 to A$14.85. News acquired about 5.35m HWT shares.

AMSTERDAM

Dutch shares closed firmer but below the day's high. Internationals mostly maintained marginal gains, but Thursday's enthusiasm turned into pre-weekend depression as hopes of lower interest rates were dashed. Philips added 0.20 to Fl 44.80, Royal Dutch 0.70 to Fl 210.80, while Akzo eased 0.20 to Fl 143.30.

HONG KONG

Shares closed lower in Hong Kong, although bargain hunting pared the losses. The Hang Seng index finished 16.55 points lower at 2,542.57, after a strong rise in early trading and a retreat in the afternoon when fund managers were heavy sellers. Some local institutions bought property shares as the market touched its lows, however. Concern over political unrest in China and the fate of Hu Yaobang depressed the market.

Brokers said the market faced a period of consolidation despite the 1½ point cut in the prime rate to the lowest level in 10 years. Cheung Kong fell 75 cents to HK$37.75 and its Hutchison affiliate lost 25 cents to HK$45.50. Sun Hung Kai Properties fell 30 to HK$18.70, but Hk Land rose five cents to HK$7.15 and New World held steady at HK$9.20.

ZURICH

Swiss share prices rose in active trading, boosted by Wall Street's advances, a more stable dollar and the high liquidity of the market. Hero Conserven bearer and registered resumed trading after two days' suspension and news of a hostile takeover bid from Jacobs Suchard. Jacobs said it would buy more shares in the open market after Hero rejected its approach. Hero bearer closed at the day's high of SFr 4,500, while its registered stock surged to end just below a high of SFr 1,650.

STOCKHOLM

The Stockholm bourse ended a week of wild fluctuation and high drama on a weak note, with a slip in values attributed to fears about interest rates. Longer paper on the credit market surged ahead again bringing discomfort to bourse investors, who shrank away from trading in such a volatile atmosphere, many waiting in the sidelines for calmer days. The Fermenta saga was biggest news on the exchange, with its de-listing — only the second in bourse history —consigning the stock to unofficial trading from Monday.

MILAN

Shares closed generally lower in fair trade centred on Fiat, Montedison, Insurances and Financials, Italgas and selected construction companies. Early losses had narrowed by the close due to some recovery in demand late morning, and many shares gained further ground in post-close trade. Fiat and Montedison were well down, while Olivetti eased marginally. Selective gains included Financials Bastogi and Brioschi.

Closing prices for North America were not available for this edition.

NEW YORK INDICES

DOW JONES	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 9	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
●Industrials	2070.72	2035.01	2012.94	2009.42	2005.91	2070.72 (15/1/87)	1502.29 (22/1/86)	2035.01 (14/1/87)	41.22 (2/7/32)
H'me Bnds.	95.04	95.03	94.83	94.86	94.62	95.04 (15/1/87)	83.73 (14/1/86)	—	—
Transport	865.74	862.96	851.02	853.56	863.92	866.74 (4/12)	686.97 (9/1/86)	866.74 (4/12/86)	12.32 (8/7/32)
Utilities	223.00	222.65	220.61	221.04	218.97	223.00 (15/1/87)	169.47 (22/1/86)	222.65 (14/1/87)	10.5 (8/4/32)

●Day's High 2091.26 (2046.26) Low 2030.79 (2003.94)

STANDARD AND POOR'S	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 9	1986/87 High	1986/87 Low	Since Comp High	Since Comp Low
Composite ‡	265.49	262.64	259.95	260.30	258.73	265.49 (15/1/87)	203.49 (22/1/86)	262.64 (14/1/87)	4.40 (1/6/32)
Industrials	297.34	293.93	290.40	290.59	288.53	297.34 (15/1/87)	224.48 (22/1/86)	293.93 (14/1/87)	3.62 (21/6/32)
Financials	29.44	(u)	29.26	29.26	29.30	31.16 (14/5)	26.19 (22/1/86)	31.13 (14/5/86)	8.64 (1/10/74)
N.Y.S.E. COMPOSITE	152.09	150.58	149.14	149.31	148.39	152.09 (15/1/87)	117.75 (22/1/86)	150.58 (14/1/87)	4.46 (25/4/42)
AMEX. MKT. VALUE	292.56	289.68	287.73	287.60	283.79	292.55 (15/1/87)	240.50 (4/2)	289.68 (14/1/87)	29.15 (9/12/74)
NASDAQ OTC COMP.	392.57	389.95	386.40	385.46	380.65	411.16 (3/7)	325.01 (9/1/86)	411.15 (3/7/86)	54.87 (3/10/74)

DIVIDEND YIELDS	Jan. 9	Jan. 2	Dec. 26	Dec. 19	year ago (approx)
Dow Industrial	3.34	3.48	3.59	3.59	4.21

	Dec. 31	Dec. 24	Dec. 17	Dec. 10	year ago (approx)
S and P Industrial	3.05	3.00	2.99	2.94	3.38
S and P ind P/E ratio	17.39	17.71	17.74	17.99	14.88

TRADING ACTIVITY

Volume † (Millions)	Jan. 15	Jan. 14	Jan. 13
New York	253.13	214.23	170.94
Amex	21.18	16.87	12.98
O.T.C.	(u)	143.38	(u)

New York	Jan. 15	Jan. 14	Jan. 13
Issues Traded	2,016	1,991	1,985
Rises	1,079	1,128	825
Falls	570	484	760
Unchanged	369	379	400
New Highs	—	204	136
New Lows	—	3	7

CANADA

TORONTO	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Jan. 9	1986/87 High	1986/87 Low
Metals & Minerals	(u)	2208.87	2159.2	2145.0	2103.68	2442.9 (21/3)	1817.4 (5/8)
Composite	3282.9	3255.8	3254.0	3243.7	3208.7	3282.9 (15/1/87)	2754.0 (17.2)
MONTREAL Portfolio	1656.32	1643.52	1640.4	1639.7	1613.66	1656.32 (15/1/87)	1386.6 22/1/86

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Navistar Int	6,379,400	6	+ ⅛
Pan Am Corp.	5,606,800	5⅞	+1⅛
Nat Semicndct	3,887,600	13⅝	+ ⅛
Pepsico	3,190,800	30⅜	+1
IBM	2,746,800	120	+1⅛
Digital Equipmt	2,464,800	132⅞	+2⅞
ATT	2,431,400	25⅜	+ ⅛
Hewlt-Pckrd	2,262,700	48⅞	− ⅛
Coca Cola	2,003,400	40	+1½
Ahmanson	1,900,500	21⅝	− ⅞

	Jan. 16	Jan. 15	Jan. 14	Jan. 13	1986/87 High	1986/87 Low
AUSTRALIA All Ord. (1/1/80)	1531.6	1546.3	1528.1	1535.8	1556.6 (15/1/87)	1016.8 (2/1/86)
Metals & Mnls. (1/1/80)	776.1	780.6	760.1	773.5	780.6 (15/1/87)	461.1 (20/1)
AUSTRIA Credit'bk Aktien (30/12/84)	220.49	220.58	220.78	222.44	286.64 (23/4)	222.44 15/1/87
BELGIUM Brussels SE (1/1/84)	4006.93	3999.47	3990.28	3991.65	4181.68 (9/12)	2769.81 (16/1)
DENMARK Copenhagen SE (3/1/83)	—	204.46	201.87	202.67	250.70 (16/4)	198.26 (11/11)
FINLAND Unitas Genl. (1975)	461.9	455.4	456.5	462.1	462.1 (13/1/87)	258.3 (2/1/86)
FRANCE CAC General (31/12/82)	417.50	418.10	415.6	(u)	418.10 15/1/87	257.8 (2/1/86)
Ind Tendance (31/12/86)	105.30	105.20	104.3	104.0	105.30 16/1/87	97.8 (2/1/87)
GERMANY FAZ Aktien (31/12/58)	836.76	862.71	827.84	626.25	753.86 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	1928.4	1916.7	1899.6	1895.3	2278.5 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank (31/7/64)	2542.57	2559.12	2578.25	2580.83	2614.87 12/1/87	1559.94 (19/8)
ITALY Banca Comm. Ital. (1972)	729.46	732.95	720.73	716.36	909.20 (20/5)	454.67 (24/1)
JAPAN** Nikkei (16/5/49)	19149.63	(c)	18784.54	18544.0	19149.63 16/1/87	12881.0 (21/1)
Tokyo SE New (4/1/68)	1639.53	(c)	1591.57	1657.46	1639.55 (16/1/87)	1025.85 (21/1)
NETHERLANDS ANP.CPS General (1970)	273.10	272.90	270.10	268.5	301.0 (5/8)	240.4 (3/5)
ANP.CBS Indust (1970)	265.70	265.60	252.50	260.0	303.9 (19/3)	234.0 (3/5)
NORWAY Oslo SE (4/1/83)	369.81	364.21	362.14	362.78	402.91 (19/1)	331.61 (4.8)
SINGAPORE Straits Times (30/12/66)	949.66	948.29	957.97	955.55	957.97 14/1/87	585.34 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	—	—	2100.0	2117.0 (13/1/87)	1104.7 (21/4)
JSE Indust (28/9/78)	—	—	—	1454.0	1454.5 (15/1/87)	1015.3 (21/4)
SPAIN Madrid SE (30/12/85)	234.31	238.45	231.52	232.91	238.45 15/1/87	100.85 (3/1/86)
SWEDEN Jacobson & P (31/12/56)	2239.52	2234.48	2154.15	2251.95	2672.78 (7/11)	1770.87 (29/1)
SWITZERLAND SwissBankCpn (31/12/58)	586.9	585.1	583.3	586.9	625.5 (8/1/86)	487.2 (4/8)
WORLD MS. Capital Intl. (1/1/70)	—	382.6	379.0	372.2	382.6 (15/1/87)	249.3 (25/7)

** Saturday January 10: Japan Nikkei (c). TSE (c).

Base value of all indices are 100 except Brussels SE—1,000. JSE Gold—256.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors 10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financial and 20 Transports. c Closed. u Unavailable.

CANADA

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

HONG KONG

JAPAN

SINGAPORE

SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. * Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kronor.

CURRENCIES & MONEY

FOREIGN EXCHANGES

Dollar holds steady

THE DOLLAR showed little overall change yesterday as the market paused for breath after a week in which the US unit lost nearly 4 per cent of its value against the D-Mark. Trading soon tailed off in the afternoon with some US centres closed on Monday for a holiday. There were few signs of any central bank intervention and while the dollar was probably helped by a little short covering ahead of the weekend, the outlook remained bearish.

Economic statistics appeared to have little influence in view of the market's feeling that a further decline in the dollar was neccessiry in order to counter a record trade deficit. This was underlined by recent figures which showed that Japan had a record trade surplus with the US in 1986. A 0.5 per cent rise in US industrial production compared with 0.6 per cent previously was much in line with expectations and was ignored.

The dollar closed at DM 1.8440 from DM 1.8425 and Y153.40 compared with Y153.55. Elsewhere it finished at SFr 1.5440 from SFr 1.5480 and FFr 6.17 against FFr 6.1575. On Bank of England figures, the dollar's exchange rate index rose to 105.1 from 104.9.

Sterling finished itself above the $1.50 level to close at $1.5160, up from $1.5050 on Thursday and its best level since July last year. This enabled a *strong recovery against* many European currencies, closing at DM 2.7950 from DM 2.7675 and FFr 9.3525 compared with FFr 9.2875. It was also higher against the Swiss franc at SFr 2.34 from SFr 2.3275 and Y232.50 from Y231.0. On Bank of England figures, its exchange rate index closed at 69.0, up from an opening level of 68.5 and Thursday's close of 68.3.

D-MARK—Trading range against the dollar in 1986-87 is 2.4710 to 1.8360. December average 1.9890. Exchange rate index 148.8 against 136.6 six months ago.

There was no intervention at yesterday's fixing in Frankfurt with the dollar quoted at DM 1.8488, up from DM 1.8350 on Thursday. Trading was quiet with speculators covering short positions ahead of the weekend. This *accounted* for the dollar's firmer tendency during the morning. So despite a continued bearish sentiment, traders were content to square positions before receiving further impetus to push the dollars weaker.

JAPANESE YEN—Trading range against the dollar in 1986-87 is 202.70 to 152.35. December average 162.18. Exchange rate index 210.6 against 214.8 six months ago.

The yen showed little change against the dollar in Tokyo yesterday. The dollar closed at Y153.10 compared with Y153.15 in New York. The close in Tokyo on Wednesday was Y153.80 with markets shut on Thursday for a public holiday. Early trading saw the dollar bought on short covering but profit taking towards the close resulted in the US unit closing at *the day's low. An upward revision* to Japan's trade surplus in December to $8.7bn from $7.4bn previously also weighed on the dollar. The Bank of Japan bought small amounts of dollars during the day.

£ IN NEW YORK

Jan 16	Latest	Previous Close
£ Spot	1.5165-1.5170	1.5065-1.5075
1 month	0.56-0.53 pm	0.63-0.62 pm
3 months	1.79-1.74 pm	1.79-1.76 pm
12 months	6.35-6.25 pm	6.45-6.35 pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST THE POUND

Jan. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4975-1.5185	1.5155-1.5165	0.64-0.61c pm	4.95	1.80-1.75 pm	4.68
Canada	2.0477-2.0609	2.0595-2.0605	0.53-0.46c pm	2.88	1.55-1.42 pm	2.88
Netherlands	3.11¾-3.15½	3.14½-3.15½	1½-1¼c pm	5.24	4¾-4 pm	5.32
Belgium	57.12-58.01	58.00-58.10	7-par cpm	0.72	40-30 pm	2.41
Denmark	10.47¾-10.60¾	10.59¾-10.60¾	1¾-⅛ ore pm	1.56	2½-¼ pm	0.64
Ireland	1.0395-1.0505	1.0475-1.0485	0.25-0.40 p dis	−3.72	0.60-0.90 dis	−2.86
W. Germany	2.76¼-2.80	2.79-2.80	1¼-1½ pf pm	6.98	4½-4¼ pm	6.44
Portugal	212.52-214.26	213.25-214.25	90-139c dis	−6.43	239-336 dis	−5.38
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STERLING INDEX

	Jan. 16	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Jan. 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

January 16	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Jan. 16	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Jan. 16	£	$
[illegible]	[illegible]	[illegible]
Saudi Ar.	5.6625-5.6695	3.7490-3.7510
Singapore	3.2325-3.2385	2.1385-2.1405
S. Af. (Cm)	3.1130-3.1190	2.0620-2.0660
S. Af. (Fn)	6.4935-6.7855	4.3010-4.4945
Taiwan	52.85-53.15	35.20-35.30
U.A.E.	5.5480-5.5530	3.2730-3.2740

* Selling rate.

EXCHANGE CROSS RATES

Jan. 16	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl.	0.317	0.481	0.887	73.81	2.969	0.743	1.	630.8	0.657	18.43
Lira	0.503	0.763	1.407	117.0	4.707	1.178	1.585	1000.	1.041	29.21
C $	0.483	0.733	1.351	112.4	4.520	1.131	1.522	960.4	1.	28.06
B Fr.	1.723	2.612	4.815	400.5	16.11	4.031	5.426	3423.	3.564	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

MONEY MARKETS

UK rates ease slightly

INTEREST RATES were a little lower where changed in London yesterday. Sterling's better performance generated some buying in the longer dates but trading was generally rather quiet ahead of the weekend with volume again affected by the absence of some traders because of bad weather. Weekend money opened at 11⅛-11 per cent and traded around 10¾ per cent for much of the morning before rising to a high of 11¼ per cent. Late balances were taken down to 10 per cent, however.

UK clearing bank base lending rate 11 per cent since October 15

Three-month interbank money was quoted at 11$\frac{1}{16}$-11 per cent compared with 11⅛-11 per cent while the six month rate eased to 10$\frac{15}{16}$-10$\frac{13}{16}$ per cent compared with 11-10⅞ per cent.

Sentiment may also have been helped by growing speculation that interest rates in Japan and West Germany would be cut. However, even disregarding the obstacles that would first have to be overcome, there was little likelihood of any knock on effect on UK interest rates unless sterling showed a considerable improvement.

The Bank of England forecast a shortage of around £300m with factors affecting the market including maturing assistance and a take up of Treasury bills together draining £188m and Exchequer transactions a further £85m. There was also a rise in the note circulation of £205m. These were partly offset by banks' balances brought forward £155m above target. The forecast was revised to a shortage of around £400m and the Bank gave assistance in the morning of £150m through outright purchases of eligible bank bills, £1m in band 2 at 10$\frac{13}{16}$ per cent, £16m in band 3 at 10¾ per cent and £133m in band 4 at 10$\frac{11}{16}$ per cent.

The forecast was revised once again, this time to a shortage of around £350m, before taking into account the earlier help and the Bank provided additional assistance in the afternoon of £160m through outright purchases of £14m of Treasury bills in band 1 at 10⅞ per cent and in band 2 of eligible bank bills at 10$\frac{13}{16}$ per cent. In band 3 it bought £13m of eligible bank bills at 10¾ per cent and £44m in band 4 at 10$\frac{11}{16}$ per cent. Late help came to £45m, making a total of £355m.

The average rate of discount fell to 10.5122 per cent from 10.5327 per cent the previous week at yesterday's Treasury bill tender. The £100m of bills on offer attracted bids of £314m against £267m and all bills offered were alloted. The minimum accepted bid was £97.375 compared with £97.37 and all bids at that level were met and above in full, against 30 per cent the previous week. Next Friday a further £100m of bills will be on offer, replacing a similar amount of maturities. Ninety-two-day bills were met at a minimum accepted level of £97.345 at about 73 per cent and above in full.

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan. 16) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 $\frac{1}{16}$	Offer 6 $\frac{3}{16}$	bid 6	Offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

Jan. 16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.10-4.25	4.30-4.45	4.25-4.40	4.35-4.50	4.35-4.50	5.5
Paris	9⅞-9⅜	N/A	N/A	N/A	N/A	7
Zurich	⅞-1⅛	3⅛-3½	—	3⅞-3$\frac{11}{16}$	—	—
Amsterdam	6½-6⅜	5⅝-5⅞	—	5⅝-5⅞	—	—
Tokyo	4.03125	4.28125	—	4.34375	—	—
Milan	11½-12¼	11⅞-12⅛	—	11⅝-12	—	—
Brussels	9.00	7⅞-8	—	7⅞-7⅞	—	—
Dublin	13¼-13¼	13¼-13⅞	13¼-13⅞	13¼-13⅞	13⅞-13⅞	—

LONDON MONEY RATES

Jan. 16	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11¼-10	11⅛-10⅞	11⅛-11	11$\frac{1}{16}$-11	10$\frac{15}{16}$-10$\frac{13}{16}$	10$\frac{13}{16}$-10⅝
Sterling CDs	—	—	11$\frac{1}{16}$-10$\frac{15}{16}$	11-10⅞	10$\frac{13}{16}$-10$\frac{11}{16}$	10⅝-10½
Local Authority Deposits	11⅛-10⅞	11⅛-10⅞	11⅛-11	11	10⅞	10⅝
Local Authority Bonds	—	—	11⅛	11⅛	11¼	11⅛
Discount Market Deposits	11¼-10	10⅞	10⅞	10⅞	—	—
Company Deposits	11	11$\frac{1}{16}$-11	11⅛-11$\frac{1}{16}$	11$\frac{1}{16}$-11$\frac{1}{16}$	11$\frac{1}{16}$-11$\frac{1}{16}$	11$\frac{1}{16}$-11$\frac{1}{16}$
Finance House Deposits	—	—	11	11	10⅞	10$\frac{13}{16}$
Treasury Bills (Buy)	—	—	10$\frac{13}{16}$	10$\frac{11}{16}$	—	—
Bank Bills (Buy)	—	—	10$\frac{15}{16}$	10$\frac{13}{16}$	10$\frac{13}{16}$	—
Fine Trade Bills (Buy)	—	—	11$\frac{3}{16}$	11$\frac{1}{16}$	10$\frac{15}{16}$	—
Dollar CDs	—	—	6.10-6.05	6.00-5.95	5.95-5.90	6.00-5.95
SDR Linked Deposits	—	—	6½-6⅜	6½-6⅜	6$\frac{7}{16}$-6$\frac{5}{16}$	6½-6⅜
ECU Linked Deposits	—	—	8$\frac{1}{16}$-8$\frac{1}{16}$	7$\frac{15}{16}$-8$\frac{1}{16}$	7¾-7⅝	7⅝-7½

Treasury Bills (sell); one-month 10$\frac{11}{16}$ per cent; three-months 10$\frac{9}{16}$ per cent; Bank Bills (sell): one-month 10$\frac{25}{32}$ per cent; three months 10⅝ per cent; Treasury Bills; Average tender rate of discount 10.5122 p.c. ECGD Fixed Finance Scheme IV reference date November 29 to December 31 (inclusive): 11.392 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from January 1, 1987: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¼ per cent; one-three months 11 per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¼ per cent from December 16. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

LONDON STOCK EXCHANGE

Equities boil over in late trading

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Dec 22	Jan 8	Jan 9	Jan 19
Jan 12	Jan 22	Jan 23	Feb 2
Jan 26	Feb 5	Feb 6	Feb 16

* New time dealings may take place from 9.00 am two business days earlier.

The surge in the UK stock market, sustained virtually without pause since the Christmas holidays, was *checked in late dealings yesterday* when Wall Street made an erratic start. But the first half of the session saw further strong gains and traders were not surprised to see share prices boil over in the final hour, on profit-taking.

The FT-SE 100 index just failed to extend its eight day record breaking run, closing unchanged at 1,789.0. Earlier, this major market indicator was nearly 18 points up and convincingly above the 1,800 mark. The FT *ordinary index ended 3.9 down at* 1,403.0.

Share prices opened strongly on the back of another massive gain on Wall Street and strong performances by several European markets. Hopes that West German interest rates might be cut soon—mirrored in a firm Gilt-edged sector—revived optimism for reductions in domestic rates.

The biggest gains came once again in the financial sector where bid speculation joined the favourable profits outlook as an attraction for share buyers.

A Parliamentary defeat for attempts to put banking takeovers under political control brought speculators into the High Street banking shares, where **Midland** and **Lloyds** rose sharply.

Among merchant banks, **Hill Samuel** strengthend on hopes of fresh moves from either of its two Australian courtiers. **Morgan Grenfell**, a bid target because of its well-publicised Guinness and Geoffrey Collier dramas, advenced again, although Nomura Securities denied *involvement*, leaving the market to wonder if Deutsche Bank was increasing its 5 per cent stake.

Guinness shares took a heavy loss as Argyll Group said it was reviewing its legal options, and the board warned that the impending dividend payout will be delayed. But **Pilkinton Bros**, also at the centre of the takeover stage, soared ahead on a glittering profits forecast from the directors.

With the pound a touch firmer against the D-mark **Imperial Chemical Industries** suffered profit-taking. Oil stocks idled on the sidelines after their recent rise.

The late firmness in the pound confirmed early gains of a full point in Government bonds. Some retail interest was seen and the traders were read buyers on the possibility that German interest rates might be cut—prehaps after *the elections on January 25.*

A recovery in the sterling exchange rate index to 69 was bullish for Gilts, but the City was inclined to wait for Monday morning to see if the upturn is continued before pushing London Gilts any higher.

Clearers active

Clearing banks ended the week with a flourish. After an attempt to make banking takeovers subject to political control was defeated in the committee stage of the Banking Bill, investors chased prices aggressively higher in a market acutely short of stock on hopes of a bid emerging for one of the clearers. **Midland**, long-rumoured to be the most vulnerable to a takeover, and a weak market recently on *fund-raising rumours*, attracted a strong demand—nearly 6m shares changed hands—and the price touched 620p at one stage before closing 15 higher at 609p. **NatWest** ended 17 dearer at 594p, after 602p, while **Lloyds** gained 13 at 505p, after 520p, and **Barclays** were 10 better at 547p, after 555p. The forthcoming dividend season was also a stimulant and several brokers have recommended the sector ahead of the results. A large *trade was also transacted in* **TSB**—18m shares changed hands—ahead of the annual figures on January 29 and the close was 2 up at 82p, after 83½p, while **Pearl**, strongly rumoured on Thursday to be the TSB's first major target since its flotation, firmed 5 afresh at 365p. Elsewhere, Merchant banks were also firm on takeover speculation. Hopes of a bid from either NZI or FAI-Insurances prompted a further rise of 13 to 518p in **Hill Samuel**, while **Kleinwort Benson** continued to reflect far-eastern stakebuilding rumours with a rise of 18 at 620p. **Morgan Grenfell** improved to 433p at the outset on overseas bid hopes before reacting late on profit-taking to close 3 easier on balance at 425p. Among *Hire Purchases, British and Commonwealth-owned* **Woodchester** jumped 33 to 483p in a restricted market.

Insurances closed higher with gains accentuated by stock shortages. Lloyds Brokers featured, **Minet** 14 up at 257p and **Willis Faber** 14 at 463p. Among Composites, **GRE** *added 9 at 829p* and **Royals** appreciated 12 at 875p.

The escalating imbroglio at Guinness continued to occupy marketmakers' attentions, but higher values prevailed elsewhere in the dranks sector. Takeover fervour among **Regionals**, *which has recently encompassed J. A. Devenish and Vaux,* switched back to **Morland**, the Oxfordshire-based concern, which advanced 25 to 386p.

Takeover favourite **Blue Circle**, a declining market this week in an otherwise buoyant Buildig sector, reacted to 685p prior to closing a net 12 down on the day at 693p, following the announcement that Adelaide Steamship of Australia had reduced its holding in the *company from 9.57 per cent to 8.95* per cent. Elsewhere, recently overlooked **Taylor Woodrow** revived with a gain of 5 at 323p, while **John Laing**, one of the sector's best performers in recent days, added 3 more to 445p. **Walter Lawrence**, again reflecting call option activity, gained 6 to 106p, while **Henderson Group** moved up 16 to 190p in a restricted market.

In common with other leading stocks, ICI relinquished an early gain of a few pence to close 8 down on balance at 1192p.

Mail orders firm

Mail Order concerns went higher at the expense of leading retailers following suggestions that the former *could benefit from the cold* weather spell. **Empire** gained 8 to 194p while **Gussies "A"** improved around $\frac{3}{8}$ to £10$\frac{15}{16}$ and **Freemans** improved 2 to 410p. **Sears** were finally 1½ at 129½p but **W. H. Smith** advanced 8 to 290p ahead of the interim results, due January 28.

Leading Electricals reacted on late profit-taking and closed mixed. Buying ahead of the forthcoming results left **Racal** 5 dearer at 193p, while **Thorn EMI** ended 4 *higher at 518p, after 523p.* Elsewhere, **Telephone Rentals**, up 7 at 213p, reflected press speculation of a possible bid soon emerging. **Automated Security** gained 7 at 228p and **INSTEM** jumped 15 to 160p in a thin market. Profit-taking clipped 10 from **First Security**, at 265p, after earlier strength which greeted the excellent interim results and purchase by United Technologies of Connecticut, US, of a near-10 per cent stake in the company.

Simon expressed acute disappointment with the increased bid terms offered by Valuedale and closed 20 down at 301p, while details of the agreed merger terms left **Baker Perkins** 9 off at 346p and **APV** 17 lower at 578p. Profit-taking ahead of further possible *Noble and Lund* bid developments left **W. A. Tyzack** 8 down at 90p. Elsewhere in Engineerings, **Glynwed** added 7 at 382p and **McKechnie** gained 10 at 280p. Among the leaders, **GKN** continued to reflect recent US expansion moves with a further *improvement of 2 to 304p.*

A continuing squeeze on bear positions pending publication of the Monopolies Commission's decision on whether or not the company can proceed with a bid for S. & W. Berisford took **Tate and Lyle** up 9 more to 632p. Among other Food Manufacturers, **Unigate** firmed 3 afresh to 338p and **United Biscuits** put on 6 to 246p. Among Retailers, **Argyll** rallied 5 to 345p as the company monitored the Guinness situation. **ASDA-MFI**, still reflecting the uninspiring half-timer, eased 2 more to 148p.

Grand Metropolitan settled 5 cheaper at 454p following details of the acquisition of Heublein, the wines and spirits subsidiary of Nabisco for $1.2bn cash; Heublein's main brand is Smirnoff vodka, the second largest spirit brand in the world.

Pilkington above £7

Pilkington's impressive profits forecast made in defence against *the BTR bid* and *hopes* that the latter would soon return with an increased offer of around 730p per share saw Pilkington's share price *sail past the £7 level yesterday.* However, after touching a new high of 715p, the shares succumbed to profit-taking and closed 25 higher on the day and 84 up on the week at 710p; **BTR** closed 5 dearer at 293p. Elsewhere in miscellaneous industrials, recent popular pharmaceutical favourites met with profit-taking. **Beecham** ended 17 down at 469p and **Glaxo** ¼ lower at £11¼. **Unilever**, on the other hand, touched 22¾ before closing ⅛ dearer at £22⅝ on hopes of increased frozen food sales as a result of the current spell of bad weather. Elsewhere, **English China Clays**, currently bidding for Bryant Holdings, moved up 8 more to 356p, while **DSC** reflected *expansion hopes with a gain of 12* at 80p. **Burndene** gained 13 at 120p on speculative buying and **Celtic Haven** added 7½ at 73½p on further consideration of the recent results. **Pentland** revived with a gain at 515p and **William Baird** added 17 at 438p.

Recently dull **Pleasurama** revived strongly on vague rumours and closed 18 higher at 340p.

Lucas Industries continued the *previous session's strong advance* as fresh demand triggered a squeeze on professional bear positions. Closing of these commitments helped force the price up to 523p before interest subsided to leave Lucas 13 up on balance at 518p. **AE** managed to improve a few pence to 298p and **Kwik-Fit** added 1 at 106p on comment about possible benefits from the current adverse weather. Distributors often ran into profit-tak*ing but Lookers rose 5 more to* 225p awaiting Tuesday's preliminary statement. **Appleyards** dipped late to 168p before steadying to close a net 11 down at 175p on news that T. Cowie has sold its 10.37 per cent stake, the shares having been placed with institutional investors. T. Cowie eased 4 to 242p.

Kleiwort Grieveson's bullish circular prompted fresh buying of **Associated Newspapers** which extended its two-day rise to 40 when closing 10 up yesterday at 445p.

Leading Properties had little to offer in the way of significant price movements but secondary issues contrasted with several bright features. **Local London**, still reflecting a broker's recommendation, rose 28 more to 423p, while **Arlington Securities** gained 5 to 211p. **Southend Stadium** revived and closed 6 higher at 338p, while **Priest Marians** advanced 10 to 260p.

Another bout of speculative buying took **Hugh Mackay**, a long-standing bid chestnut, up 3 to a 1986/87 peak of 128p. Features elsewhere in Textiles were few but included **Leeds**, 5 higher at 233p, and Irish-based **Glen Abbey**, which rose 5½ to 91p.

BAT Industries were sold following Greenwell Montagu's lower profits forecast and ended 12 down at 561p. **Rothmans International**, 7 off at 184p, also lost ground in the absence of any developments; towards the end of last week the shares rose strongly on rumours that the group was negotiating the sale of its tobacco interests to Philip Morris.

Several Investment Trusts achieved double-figure gains while **Murray Technology Investments** rose 8 to 84p in response to Lloyds Bank SF Nominees increasing its stake to 14 per cent. **"Investing in Success" Equities** improved 15 to 915p after Monopoly Commission clearance of Panfida Capital's offer for the trust's shares.

An official denial of imminent *asset injections, which have been* rumoured recently, failed to unsettle **AC Holdings**, up 25 more at 465p; directors also said they knew of no reason for the recent sharp advance in AC shares.

Oils below best

Boosted initially by Wall Street's strong performance overnight and the continuing buoyancy of crude prices, the oil majors made further good progress before easing back late in the session on profit-taking to close some way below the best. **British Petroleum**, after early progress to 810p, gave ground to close a *shade easier on balance* at 802p, still a rise of around 40p on the week. **Shell** finished 7 higher at 1057p, while the week's star performer **Britoil** gave up 5 to 193p. **Enterprise** also shed 5, to 205p, while **Ultramar** lost 7 to 179p. Elsewhere, **Floyd Oil** put on 5 to 56p on news of the acquisition of Hampton Gold Mining's coal mining interests for £5.75m.

The chairman's reassuring comments at yesterday's annual meeting failed to assist **Polly Peck** which eased 3 to 170p. **Harrisons and Crosfield** attracted renewed support and gained 3 to 498p but *Inchcape, which is restructuring its* Hong Kong operations, made little progress, at 536p.

South African Golds finished an uncertain week on a decidedly listless note. Firmer values which had prevailed earlier in the week mirroring currency trends and *higher bullion were partly erased* as investors in major dealing centres proved to be reluctant to add to their existing holdings.

Bullion's recent firm showing clearly owed much to the revived strength of Platinum and the slight easing of the latter—fixed at $530.75 an ounce during the afternoon—effectively curtailed international enthusiasm for bullion which finally settled $0.25 lower at $415.25 an ounce.

A relatively strong performance by the Financial Rand against a weakening dollar precluded investment activity in Johannesburg, while Continental operators also held off. Consequently, Golds closed at or around the session's lowest with **Elandsrand** 36 off at 740p and **Kloof** 9 down at 584p. Top-quality producers displayed falls to round a full point as in **"Amgold,"** £53¾ and **Randfontein**, £66⅞. The FT Gold Mines index fell 5.7 to 333.0.

Sporadic profit-taking in overnight domesic markets led to an easier tone among Australian mines in London. **Australian Consolidated Minerals** fell 7 to 256p, while other Golds to give ground included **Metana**, 388p, and **Central Norseman**, 748p, both down 10.

Traded Options

Traded Options finished an encouraging week with 47,196 contracts transacted—37,850 calls and 9,348 puts. Operators displayed revived enthusiasm for call posi*tions in British Telecom which con*tributed 5,751 trades—the February 200's and 220's accounting for 1,549 and 2,386 calls respectively. The Guinness situation prompted 2,382 calls and 1,025 puts. Attention elsewhere centred on the January series which expires next Wednesday. TSB were extremely active with 5,663 calls struck, 2,926 of which were done in the January 80's. British Gas and Grand Metropolitan attracted 3,074 and 2,051 calls respectively.

FINANCIAL TIMES STOCK INDICES

	Jan. 16	Jan. 15	Jan. 14	Jan. 13	Jan. 12	Year ago	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Government Secs	85.43	84.88†	84.82	84.57	85.23	82.28	94.51 (18/4/86)	80.39 (20/1/86)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.52	91.35	91.26	91.25	91.47	87.10	97.68 (7/7/86)	86.55 (23/1/86)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,403.0	1,406.9	1,389.0	1,393.9	1,389.4	1,118.7	1,425.9 (3/4/86)	1,094.3 (14/1/86)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	333.0	338.7	335.5	326.3	337.5	345.0	357.8 (22/9/86)	185.7 (18/7/86)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.08	4.06	4.12	4.12	4.13	4.84				
Earnings Yld.% (full)	9.62	9.59	9.72	9.72	9.76	10.88				
P/E Ratio (net) (*)	12.75	12.80	12.62	12.63	12.58	11.41				
SEAQ Bargains (5 pm)	44,842	36,510	28,431	37,045	42,778	—				
Equity Turnover (£m)	—	1,334.32	1,184.39	1,399.09	1,319.81	572.20				
Equity Bargains	—	45,705	36,980	50,164	53,668	21,160				
Shares Traded (ml)	—	537.3	489.5	565.3	593.0	237.2				

S.E. ACTIVITY

Indices	Jan. 15	Jan. 14
Gilt Edged Bargains	99.9	94.1
Equity Bargains	296.1	239.6
Equity Value	2697.0	294.09
5-Day Average		
Gilt Edged Bargains	117.0	129.8
Equity Bargains	326.1	332.3
Equity Value	2958.2	2960.1

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1411.2	1406.9	1408.7	1413.8	1418.2	1417.9	1413.0	1402.8

Day's High 1419.4. Day's Low 1397.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, †Corrected *Nil=12.29.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls July	Puts Jan.	Puts Apr.	Puts July
Allied Lyons (*346)	280	67	77	82	0½	2	3
	300	47	60	68	1	2½	9
	330	18	35	45	2	10	15
	360	1½	11	25	18	25	37
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Ladbroke (*399)	330	75	82	92	0½	2	3
	360	47	55	67	1½	5	8
	390	22	35	45	7	13	18
	420	9	17	25	22	30	33
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 16. Total Contracts 47,196. Calls 37,850. Puts 9,348. * Underlying security price.

Traditional Options

- First dealings Jan 19 Feb 2 Feb 16
- Last dealings Jan 30 Feb 13 Feb 27
- Last declaration Apr 23 May 7 May 28
- For Settlement May 5 May 18 June 8

For rate indications see end of Unit Trust Service

Money was given for the call of British Gas, Goodman Brothers, Walter Lawrence, Ryan International, WSL, Amber Day, Aran Energy, Hyman, Atlantic Resources, Aquarius, Amstrad, Bridport-Gundry, Plessey, BET, Greenwich Resources, Tricentrol, Guinness, Argyll, Wellcome, New London Oil, Regenterest, Arenson, Arlington, Howden Group, British Car Auction, Cradley Print, London International, C. H. B. Bailey, Barham, Cosalt, Jack L. Israel and A. J. Worthington. Puts were taken out in Amber Day, Goodman Brothers, ASDA-MFI, Riley Leisure and Tricentrol. Double options were struck in Hyman, Ryan International, F. J. C. Lilley and Greenwich Resources.

NEW HIGHS AND LOWS FOR 1986-87

NEW HIGHS (287)

BRITISH FUNDS (3), AMERICANS (6), CANADIANS (1), BANKS (7), BREWERS (1), BUILDINGS (12), CHEMICALS (7), STORES (11), ELECTRICALS (12), ENGINEERING (6), FOODS (7), HOTELS (2), INDUSTRIALS (45), INSURANCE (4), LEISURE (6), MOTORS (7), NEWSPAPERS (3), PAPER (7), PROPERTY (11), TEXTILES (6), TRUSTS (21), OILS (4), PLANTATIONS (3), MINES (5).

NEW LOWS (4)

BREWERS (1) Guinness, Do. 5¾pc Cnv.Prf. INDUSTRIALS (3) Barrow, Dominion Int., Splash Products.

LONDON STOCK EXCHANGE

DEALINGS

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Details otherwise indicated, denominations are 25p and prices are in pence. The prices are those at which the business was done in the 24 hours up to 3.30 pm on Thursday and settled through the Stock Exchange Talisman system; they are not in order of execution but in ascending order which denotes the day's highest and lowest dealing prices.

For those securities in which no business was recorded in Thursday's Official List, the latest recorded business in the four previous days is given with the relevant date.

‡ Bargains at special prices. ⊕ Bargains done the previous day. △ Bargains done with non-member or executed in overseas markets.

CORPORATION & COUNTY

Greater London Council 6¼pc 1990-92 £82¼ 3¼
Barnet Corp 12¼pc 1987 £100 (13/1)
Birmingham Corp 3½pc 1946 £25 (13/1)
Bristol (City of) 11½pc 2008 £104½ (12/1)
Hull Corp 3½pc £25 (13/1)
Kensington and Chelsea (Royal Borough) 11.35pc 2006 £102¼ (9/1)
Manchester Corp 1891 3pc 1941 £23½ (13/1)
Salford Corp 5½pc 1986-88 £92½

BPB Incs 10¾pcDb 1994-99 £99½ (12/1)
BSR Intnl 5½pcLn 1985-90 £82
Babcock Intnl 6pcPf (£1) 51. 4pcPf (£1) 33 (12/1)
Bardsey Wts 6½ (13/1)
Barr Wallace Arnold Trust 272 5
Batleys 10pcPf (£1) 118 9 (13/1)
Beazer (C. H.) (Hldgs) 8½pcLn 2000 £172 2
Beecham Group 8½pcLn 1984-94 £100 (9/1)
Benlox Hldgs 8pcPf (£1) 200 15 (13/1)
Benson SBG (10p) 46 (13/1)
Berisford (S. W.) 5pcPf (£1) 56 (9/1).

UK PUBLIC BOARDS

FOREIGN STOCKS (coupons payable in London)

STERLING ISSUES BY OVERSEAS BORROWERS

BANKS, DISCOUNT

BREWERIES

COMMERCIAL, INDUSTRIAL

A—B

C—D

E—F

G—H

I—J—K

L—M

N—O—P

Q—R—S

T—U—V

W—Y—Z

FINANCIAL TRUSTS

INSURANCE

INVESTMENT TRUSTS

UNIT TRUSTS

MINES—MISCELLANEOUS

MINES—SOUTH AFRICAN

OIL

PROPERTY

PLANTATIONS

RAILWAYS

SHIPPING

UTILITIES

WATERWORKS

UNLISTED SECURITIES MARKET

SPECIAL LIST

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List

RULE 535 (2)

Applications granted for specific bargains in securities not listed on any exchange

RULE 535 (3)

Dealings for approved companies engaged solely in mineral exploration

Andaman Res (10p) 80 (12/1)
Kenmare Oil Expln (Ir£0.25) 22

(By permission of The Stock Exchange Council)

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 6 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	7,900	148	−2	Ladbroke	586	397	−2
Allied Lyons	4,700	346	+3	Land Securities	547	341	—
BAT	5,800	501	−12	Legal & Gen.	587	285	—
BET	469	481	−4	Lloyds Bnk	3,200	507	+15
BOC	3,700	398	+2	Lonrho	976	254	−1
BTR	7,900	293	+5	Marks & Spncr	4,100	198	+1
Barclays	2,700	547	+10	Midland Bank	5,800	609	+15
Bass	568	764	−5	NatWest Bank	4,000	594	+17
Beecham	5,600	469	−13	Pearson	1,100	600	—
Blue Circle	1,900	693	−12	P & O	414	545	−2
Boots	14,000	250	—	Pilkington Bros	16,000	710	+25
Brit. Aero	1,800	580	−1	Plessey	11,000	200	+2
Brit. Gas	57,000	71½	—	Prudential	1,200	850	+3
Britoil	9,400	199½	−5	Racal	5,700	193	+5
BP	11,000	802	−3	Rank Org	319	562	—
Brit. Telecom	15,000	222	—	Reckitt & Col	86	921	−4
Burton	4,000	288	−2	Reuters	449	604	−2
Cable & Wire	3,400	366	−5	RTZ	955	754	−6
Cadbury Schwps	5,100	195	−6	Rowntree Mac	2,300	433	+6
Coats Viyella	220	522	−2	Royal Insurance	1,800	875	+12
Comm. Union	5,200	289	+4	STC	1,500	192	−2
Cons. Gold	899	719	—	Sainsbury	1,600	437	+2
Courtaulds	1,400	354	−1	Sears	10,000	129½	+1½
Dee Corp	2,200	229	−1	Sedgwick	2,300	343	+8
Dixons Grp	2,900	328	—	Shell Trans	8,700	£10¼	+¼
Fisons	737	599	−2	Smith & Nephew	1,900	134	+½
Gen. Accident	383	865	+2	Standard Chart	89	780	−2
Gen. Elect	12,000	197	−1	Storehouse	2,500	276	+1
Glaxo	1,300	£11¼	−¼	Sun Alliance	615	698	+4
Grand Met	11,000	454	−5	TSB	18,000	82	+2
Gus "A"	1,300	£10⅞	+¼	Tesco	3,900	432	+2
Guardian R.E.	1,000	829	+9	Thorn EMI	3,100	519	+5
GKN	3,400	304	+2	Trafalgar House	1,600	297	—
Guinness	15,000	271	−17	T'house Forte	3,700	191	+1
Hanson Trust	7,700	206½	−½	Unilever	846	£22⅝	+⅜
Hawker Sidd	725	497	−4	United Biscuits	1,700	246	+6
ICI	3,300	£11⅜	−⅛	Wellcome	5,100	266	+½
Jaguar	1,500	578	−3	Woolworth	1,300	688	—

LEADERS AND LAGGARDS

Percentage changes since December 31 1986 based on Thursday January 15 1987

Gold Mines Index	+13.58	500 Share Index	+ 6.95
Metals and Metal Forming	+12.16	Insurance Brokers	+ 6.81
Merchant Banks	+11.82	Industrial Group	+ 6.78
Textiles	+11.74	All-Share Index	+ 6.58
Packaging and Paper	+10.58	Building Materials	+ 6.34
Chemicals	+10.19	Leisure	+ 5.80
Health and H'sehold Products	+ 9.38	Consumer Group	+ 5.79
Mechanical Engineering	+ 9.34	Shipping and Transport	+ 5.56
Publishing and Printing	+ 9.17	Financial Group	+ 5.39
Other Industrial Materials	+ 8.90	Insurance (Life)	+ 5.28
Capital Goods	+ 8.03	Insurance (Composite)	+ 5.25
Motors	+ 8.03	Telephone Networks	+ 4.82
Oils and Gas	+ 7.93	Stores	+ 4.73
Contracting, Construction	+ 7.79	Investment Trusts	+ 4.49
Mining Finance	+ 7.59	Banks	+ 4.44
Electronics	+ 7.58	Food Retailing	+ 4.14
Agencies	+ 7.49	Overseas Traders	+ 4.10
Other Groups	+ 7.37	Food Manufacturing	+ 3.32
Electricals	+ 7.30	Property	+ 2.77
Conglomerates	+ 7.13	Brewers and Distillers	+ 2.71

RISES AND FALLS ON THE WEEK

	Yesterday Rises	Yesterday Falls	Yesterday Same	On the week Rises	On the week Falls	On the week Same
British Funds	108	1	4	249	250	66
Corporations, Dom. and Foreign Bonds	0	0	70	15	15	320
Industrials	526	395	608	2,740	1,878	3,027
Financial and Props.	255	95	234	1,083	578	1,259
Oils	31	33	49	189	136	240
Plantations	5	2	7	16	2	52
Mines	18	62	103	253	231	431
Others	88	61	45	328	331	332
Totals	1,031	649	1,120	4,873	3,421	5,727

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, The Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Fri Jan 16 1987 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Thur Jan 15 Index No.	Wed Jan 14 Index No.	Tue Jan 13 Index No.	Year ago (approx.) Index No.	1986/87 High		1986/87 Low		Since Compilation High		Since Compilation Low	
1	CAPITAL GOODS (209)	755.05	+0.3	8.27	3.46	15.32	0.13	752.68	743.75	744.66	576.46	755.05	16/1/87	567.56	14/1/86	755.05	16/1/87	50.71	13/12/74
2	Building Materials (27)	921.02	+0.2	8.09	3.34	15.56	0.40	919.30	910.25	915.67	627.64	921.02	16/1/87	613.05	23/1/86	921.02	16/1/87	44.27	11/12/74
3	Contracting, Construction (28)	1279.86	+0.1	7.38	3.66	18.62	0.34	1278.25	1268.19	1277.43	930.30	1280.78	2/7/86	911.86	23/1/86	1280.78	2/7/86	71.48	2/12/74
4	Electricals (12)	1915.05	+0.7	7.87	4.40	16.31	0.00	1901.58	1885.48	1899.48	1585.24	2092.98	21/4/86	1530.42	2/1/86	2092.98	21/4/86	84.71	25/6/62
5	Electronics (38)	1663.65	+0.2	8.61	2.48	15.41	0.00	1660.86	1632.19	1622.82	1437.02	1794.13	30/4/86	1365.94	29/9/86	2049.85	13/11/84	1229.61	8/10/85
6	Mechanical Engineering (61)	430.46	—	9.24	3.85	13.79	0.13	430.62	425.24	424.74	322.04	430.62	15/1/87	316.63	23/1/86	430.62	15/1/87	45.43	5/1/75
8	Metals and Metal Forming (7)	403.04	+1.0	9.07	3.69	13.39	0.00	399.24	391.24	387.98	256.29	403.04	16/1/87	241.07	2/1/86	403.04	16/1/87	49.65	6/1/75
9	Motors (15)	294.80	+0.2	9.33	3.56	12.36	0.00	294.19	289.31	290.77	211.93	322.48	3/7/86	286.50	14/1/86	322.48	3/7/86	19.91	6/1/75
10	Other Industrial Materials (21)	1297.55	+1.0	6.98	4.24	17.10	0.09	1284.53	1277.99	1283.15	1014.74	1347.13	3/4/86	993.49	21/1/86	1347.13	3/4/86	277.55	15/1/81
21	CONSUMER GROUP (186)	1004.43	−0.1	7.30	3.14	17.60	0.39	1005.91	996.42	997.99	754.07	1005.91	15/1/87	739.82	14/1/86	1005.91	15/1/87	61.41	13/12/74
22	Brewers and Distillers (22)	952.20	−1.2	8.93	3.64	14.06	0.00	963.47	958.14	965.42	787.86	989.31	30/6/86	764.25	14/1/86	989.31	30/6/86	69.47	13/12/74
25	Food Manufacturing (25)	768.99	+0.8	8.69	3.65	15.08	1.02	762.82	759.37	763.59	563.11	768.99	16/1/87	549.51	14/1/86	768.99	16/1/87	59.67	11/12/74
26	Food Retailing (16)	1958.63	—	6.87	2.75	20.23	1.94	1958.95	1955.92	1982.11	1678.64	2015.98	9/9/86	1629.03	21/1/86	2015.98	9/9/86	54.25	11/12/74
27	Health and Household Products (10)	1777.39	−1.5	5.35	2.14	21.69	0.00	1803.94	1775.14	1759.45	1184.41	1803.94	15/1/87	1175.61	14/1/86	1803.94	15/1/87	175.38	28/5/80
29	Leisure (31)	1050.60	+0.7	7.19	3.95	18.22	0.25	1043.60	1022.21	1025.01	751.76	1050.60	16/1/87	731.17	24/1/86	1050.60	16/1/87	54.83	9/1/75
31	Packaging & Paper (14)	540.01	+0.6	6.34	3.09	20.42	0.18	536.56	525.01	527.81	373.22	540.01	16/1/87	362.52	9/1/86	540.01	16/1/87	43.46	6/1/75
32	Publishing & Printing (14)	2999.76	—	6.59	3.80	19.57	3.41	3000.71	2941.30	2942.17	1864.45	3000.71	15/1/87	1834.16	9/1/86	3000.71	15/1/87	55.08	6/1/75
34	Stores (37)	879.38	+0.5	7.27	3.07	18.69	0.01	874.71	869.02	866.42	727.98	984.64	3/4/86	707.79	23/1/86	984.64	3/4/86	52.63	6/1/75
35	Textiles (17)	605.01	—	8.72	3.39	13.20	0.00	604.97	602.20	604.22	383.55	605.01	16/1/87	375.50	14/1/86	605.01	16/1/87	62.66	11/12/74
40	OTHER GROUPS (87)	877.49	−0.5	8.72	3.76	14.26	0.06	881.50	869.82	869.37	707.06	881.50	15/1/87	696.16	21/1/86	881.50	15/1/87	58.63	6/1/75
41	Agencies (16)	1198.75	+0.1	4.88	1.84	27.94	0.00	1197.46	1174.81	1176.93	0.0	1198.75	16/1/87	1111.16	2/1/87	1198.75	16/1/87	1111.16	2/1/87
42	Chemicals (21)	1108.99	−0.2	8.00	3.80	15.23	0.22	1111.75	1096.58	1095.45	735.97	1111.75	15/1/87	729.24	14/1/86	1111.75	15/1/87	71.20	1/12/74
43	Conglomerates (13)	1190.36	−0.3	7.25	3.66	16.36	0.15	1193.47	1184.61	1183.91	0.0	1193.47	15/1/87	1112.14	2/1/87	1193.47	15/1/87	1112.14	2/1/87
45	Shipping and Transport (11)	1649.26	−0.5	7.36	4.55	16.89	0.00	1658.20	1653.44	1658.02	1346.42	1677.64	3/4/86	1316.35	14/1/86	1677.64	3/4/86	90.80	29/6/62
47	Telephone Networks (2)	892.45	−0.3	10.48	4.32	13.01	0.00	895.11	877.75	874.12	864.58	1050.03	4/4/86	712.14	3/10/86	1050.03	4/4/86	517.92	30/11/84
48	Miscellaneous (24)	1198.63	−1.2	9.99	3.45	11.28	0.00	1213.74	1201.93	1206.13	891.30	1213.74	15/1/87	866.26	9/1/86	1213.74	15/1/87	60.39	6/7/75
49	INDUSTRIAL GROUP (482)	917.74	−0.1	7.94	3.39	15.97	0.22	918.80	908.60	909.43	703.38	918.80	15/1/87	690.89	14/1/86	918.80	15/1/87	59.01	13/12/74
51	Oil & Gas (18)	1628.26	−0.1	10.45	5.56	12.89	0.00	1631.20	1609.01	1595.61	1114.08	1631.28	15/1/87	1095.63	20/2/86	1631.28	15/1/87	87.23	29/5/62
59	500 SHARE INDEX (500)	978.09	−0.1	8.31	3.71	15.25	0.20	979.22	967.99	967.56	730.08	979.22	15/1/87	727.58	14/1/86	979.22	15/1/87	63.49	13/12/74
61	FINANCIAL GROUP (117)	656.46	+1.2	—	4.34	—	0.10	648.96	638.39	639.04	523.33	656.46	16/1/87	507.50	14/1/86	656.46	16/1/87	55.88	13/12/74
62	Banks (8)	738.91	+2.4	17.07	4.97	8.04	0.00	721.80	700.96	702.23	544.64	738.91	16/1/87	517.21	5/2/86	738.91	16/1/87	62.44	12/12/74
65	Insurance (Life) (9)	916.58	+0.2	—	4.23	—	0.00	915.10	902.25	903.15	790.94	916.58	16/1/87	765.18	23/1/86	916.58	16/1/87	44.88	2/1/75
66	Insurance (Composite) (7)	484.93	+0.9	—	4.48	—	0.00	480.50	477.88	474.53	419.42	525.13	14/4/86	403.56	2/1/86	525.13	14/4/86	43.96	13/12/74
67	Insurance (Brokers) (9)	1231.71	+2.4	7.75	4.38	16.77	0.97	1202.40	1169.86	1174.30	1228.42	1315.27	12/2/86	1119.12	30/12/86	1315.27	12/2/86	65.86	16/12/74
68	Merchant Banks (11)	390.44	+1.0	—	3.73	—	0.00	386.73	380.68	379.86	283.08	390.44	16/1/87	277.36	24/1/86	390.44	16/1/87	31.21	7/1/75
69	Property (47)	829.18	—	5.76	3.53	22.59	0.00	829.07	822.19	828.91	651.27	830.03	9/1/87	635.84	23/1/86	830.03	9/1/87	56.01	20/4/65
70	Other Financial (25)	399.25	+0.1	7.58	3.81	16.64	0.48	398.75	398.76	398.66	291.85	399.25	16/1/87	287.55	24/1/86	399.25	16/1/87	33.29	17/12/74
71	Investment Trusts* (96)	913.89	+0.5	—	2.51	—	0.25	909.14	900.05	901.10	640.99	913.89	16/1/87	633.36	14/1/86	913.89	16/1/87	71.12	13/12/74
81	Mining Finance (2)	367.21	−0.5	8.51	4.37	13.82	0.00	369.03	365.67	364.67	262.27	369.03	15/1/87	240.03	2/1/86	369.03	15/1/87	66.31	30/9/74
91	Overseas Traders (12)	813.67	−0.1	9.84	5.58	12.31	0.00	814.25	808.43	809.27	608.31	814.25	15/1/87	597.55	2/1/86	814.25	15/1/87	97.37	6/1/75
99	ALL-SHARE INDEX* (727)	891.38	+0.1	—	3.78	—	0.18	890.42	879.65	879.51	676.38	891.38	16/1/87	664.42	14/1/86	891.38	16/1/87	61.92	13/12/74

	Index No.	Day's Change	Day's High	Day's Low	Jan 15	Jan 14	Jan 13	Jan 12	Jan 9	Year ago	1986/87 High		1986/87 Low		Since Compilation High		Since Compilation Low	
FT-SE 100 SHARE INDEX ‡	1789.0	—	1806.9	1782.1	1789.0	1765.2	1763.3	1755.6	1752.3	1396.0	1789.0	15/1/87	1370.1	14/1/86	1789.0	15/1/87	986.9	23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Jan 16	Day's change %	Thur Jan 15	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.11	+0.29	120.17	0.41	0.81
2	5-15 years	134.90	+0.79	134.05	0.21	0.75
3	Over 15 years	143.01	+1.06	141.52	—	0.00
4	Irredeemables	154.82	+0.48	154.09	—	0.00
5	All stocks	132.40	+0.68	131.76	0.24	0.65
	Index-Linked					
6	5 years	116.70	+0.22	116.45	—	0.00
7	Over 5 years	114.29	+0.75	113.44	—	0.15
8	All stocks	114.65	+0.66	113.90	—	0.13
9	Debentures & Loans	115.86	+0.35	115.45	—	0.14
10	Preference	80.49	—	80.49	—	0.00

	AVERAGE GROSS REDEMPTION YIELDS		Fri Jan 16	Thur Jan 15	Year ago (approx.)	1986/87 Highs		1986/87 Lows	
	British Government								
1	Low	5 years	9.45	9.57	10.03	10.26	20/1/86	7.37	18/4/86
2	Coupons	15 years	9.78	9.88	10.48	10.87	20/11/86	8.32	18/4/86
3		25 years	9.78	9.88	10.49	10.88	20/11/86	8.33	18/4/86
4	Medium	5 years	10.45	10.56	11.69	11.89	14/1/86	8.58	18/4/86
5	Coupons	15 years	10.06	10.18	10.94	11.23	20/11/86	8.58	18/4/86
6		25 years	9.85	9.96	10.52	10.79	20/11/86	8.58	18/4/86
7	High	5 years	10.55	10.67	11.85	12.07	20/1/86	8.73	18/4/86
8	Coupons	15 years	10.22	10.34	11.14	11.41	20/11/86	8.73	18/4/86
9		25 years	9.91	10.01	10.67	10.86	20/11/86	8.73	18/4/86
10	Irredeemables†		9.72	9.76	10.23	10.51	20/11/86	8.38	18/4/86
	Index-Linked								
11	Inflat'n rate 5%	5 yrs	3.58	3.71	4.93	5.18	14/1/86	3.24	29/4/86
12	Inflat'n rate 5%	Over 5 yrs	3.72	3.77	3.86	4.01	20/1/86	3.26	13/5/86
13	Inflat'n rate 10%	5 yrs	1.92	2.26	3.96	4.23	14/1/86	1.92	16/1/87
14	Inflat'n rate 10%	Over 5 yrs	3.55	3.62	3.79	3.85	14/1/86	3.09	19/5/86
15	Debs &	5 years	11.06	11.11	12.09	12.78	27/1/86	9.72	8/7/86
16	Loans	15 years	11.05	11.10	11.67	11.93	4/2/86	9.79	22/4/86
17		25 years	11.05	11.10	11.66	11.91	20/11/86	9.69	17/4/86
18	Preference†		11.65	11.65	12.02	12.18	24/2/86	10.30	9/6/86

‡ Opening index 1796.5; 10 am 1792.2; 11 am 1794.4; Noon 1800.8; 1 pm 1805.9; 2 pm 1806.5; 3 pm 1800.9; 3.30 pm 1796.2; 4 pm 1789.7.

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/04/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/04/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs. & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4, price 15p, by post 28p.

CONSTITUENT CHANGES: Crouch (D.) (3), London & Continental Advertising (41) and Glasgow Stockholders Investment Trust (71) have been deleted. Central Independent TV (29) and Yorkshire TV (29) have been inserted.

AUTHORISED UNIT TRUSTS

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

BANK RETURN

BANKING DEPARTMENT	Wednesday January 14, 1987	Increase (+) or decrease (−) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	2,992,572,692	+ 342,046,099
Bankers Deposits	887,860,656	− 13,538,196
Reserve and other Accounts	1,577,161,696	+ 59,281,131
	5,472,148,044	+ 387,789,034
ASSETS		
Government Securities	548,172,756	− 143,670,000
Advance and other Accounts	634,804,169	− 141,221,572
Premises Equipment & other Secs.	4,282,973,099	+ 679,690,328
Notes	5,886,883	− 7,026,401
Coin	311,137	+ +16,679
	5,472,148,044	+ 387,789,034

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in Circulation	12,704,113,117	− 222,973,599
Notes in Banking Department	5,886,883	− 7,026,401
	12,710,000,000	− 230,000,000
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	2,345,898,117	+ 55,903,220
Other Securities	10,353,086,783	− 285,903,220
	12,710,000,000	− 230,000,000

EUROPEAN OPTIONS EXCHANGE

Series		Feb 87 Vol.	Feb 87 Last	May 87 Vol.	May 87 Last	Aug 87 Vol.	Aug 87 Last	Stock
GOLD C	$390	13	28B	45	39	—	—	$417
GOLD C	$420	41	7.50	45	18.50	—	—	"
GOLD C	$440	79	3	109	12	211	20	"
GOLD C	$460	—	—	60	6.10	—	—	"
GOLD C	$480	—	—	30	3.50	—	—	"
GOLD P	$400	132	3.80	16	8.50	—	—	"
GOLD P	$420	90	9A	20	16	—	—	"
		Mar 87		June 87		Sep 87		
£/FL C	Fl.320	—	—	11	3	—	—	Fl.314.49
£/FL P	Fl.310	50	5.50	—	—	20	14.50	"
		Jan 87		Feb 87		Mar 87		
$/FL C	Fl.205	—	—	8	5.80	87	6.60	Fl.207.75
$/FL C	Fl.210	42	0.10	160	2.70	751	3.90	"
$/FL C	Fl.215	—	—	60	1.80	125	2.50	"
$/FL C	Fl.220	—	—	22	0.60	74	1.10	
$/FL P	Fl.200	—	—	10	1.40	127	2	"
$/FL P	Fl.205	—	—	104	2.80	231	3.90	"
$/FL P	Fl.210	35	1.80	451	4.70	245	6	"
$/FL P	Fl.215	40	7.10A	—	—	118	9.50	"
$/FL P	Fl.220	145	11.60B	—	—	31	12.70	"
$/FL P	Fl.225	154	17	—	—	26	17.30	"
$/FL P	Fl.230	—	—	—	—	17	21.80	"
$/FL P	Fl.235	—	—	—	—	11	26.70	"
		June 87		Sep 87		Dec 87		
$/FL C	Fl.210	47	6.60	—	—	—	—	"
$/FL P	Fl.200	55	4	50	5.70B	—	—	"
$/FL P	Fl.205	36	6	—	—	13	9	"
		Jan 87		Apr 87		July 87		
ABN C	Fl.520	575	2.50	235	25	69	29	Fl.525
ABN P	Fl.520	123	0.40	147	12.50	3	22	"
AEGON C	Fl.90	10	0.10A	146	3.70	8	4.50	Fl.87
AEGON P	Fl.90	196	3.30	11	5.40	5	6.50	"
AHOLD C	Fl.110	602	0.20	134	5.80	4	7.50	Fl.109
AHOLD P	Fl.115	126	5.50A	96	8.50	—	—	"
AKZO C	Fl.140	683	4.10	161	9.40	30	11	Fl.143.30
AKZO P	Fl.150	422	6.10	127	98	99	138	"
AMEV C	Fl.75	736	0.10	194	3.20	—	—	Fl.74.30
AMEV P	Fl.75	115	1.10	66	3	—	—	"
AMRO C	Fl.90	1170	0.30	627	5	119	6.50	Fl.90
AMRO P	Fl.90	115	0.40	120	4.30	1	5.30	"
ELSEVIER C	Fl.260	261	2A	76	13	15	19.50	Fl.257
ELSEVIER P	Fl.230	14	0.10	269	3.50	—	—	"
GIST-BROC. C	Fl.45	—	—	211	2.20	41	2.70B	Fl.41.80
GIST-BROC. P	Fl.40	—	—	103	2.20	3	3.30	"
HEINEKEN C	Fl.170	377	0.10	102	7.40	36	8.90	Fl.167.50
HEINEKEN P	Fl.170	150	3.30	42	6.50B	2	9	"
HOOGOVENS C	Fl.35	—	—	246	3	289	4.20	Fl.33.30
HOOGOVENS P	Fl.40	659	6.20	266	7.20	62	7.80	"
KLM C	Fl.40	—	—	498	2.20	59	3.40	Fl.37.50
KLM P	Fl.40	174	2.30B	72	3.80	84	4.40	"
NAT NED C	Fl.80	691	0.10	91	4	20	5.20	Fl.80.20
NAT. NED. P	Fl.80	305	0.40	60	2.90	25	4.50	"
PHILIPS C	Fl.45	5439	0.20	860	2.50	115	4	Fl.44.80
PHILIPS P	Fl.45	2312	0.30	477	2.70	67	3.60	"
ROYAL DUTCH C	Fl.210	9781	1.60	560	7.70	144	9.50	Fl.210.80
ROYAL DUTCH P	Fl.210	3805	0.10	204	4.80	21	9.50	"
ROBECO C	Fl.95	126	1.40	13	3.80	23	3.70	Fl.96.40
UNILEVER C	Fl.520	1248	0.30	61	208	6	28	Fl.516
UNILEVER P	Fl.520	397	4.10	101	15	1	26A	"

TOTAL VOLUME IN CONTRACTS: For 16/1/87 76,970

A=Ask B=Bid C=Call P=Put

AUTHORISED UNIT TRUST & INSURANCES

Canada Life Group

2-6 High St, Potters Bar, Herts — P. Bar 51122

Equity Gth Sept 29	7.908		—	—
Retirement	5.361		—	—
Individual Pension—Distribution				
Managed Pen Fund	302.5	318.5	—	4.9
Property Pen Fund	152.1	159.3	—	—
Index-Linked Pen Fd	128.2	135.0	—	—
Series C Pension—Accumulation				
International Pen Fd	191.2	201.3	—	—
Managed Pen Fd	173.2	182.4	—	—
Property Pen Fd	126.2	132.9	—	—
Index-linked Pen Fd	124.7	131.3	—	—
Gilt & Fxd Int Pen Fd	145.4	153.1	—	—
Equity Pen Fd	195.6	205.9	—	—
Managed Funds				
Managed	180.8	190.4	—	—
Property	128.0	134.8	—	—
Gilt & Fxd Interest	134.0	141.1	—	—
Index-Linked	111.5	117.4	—	—
Equity	200.8	211.4	—	—
Cash	139.0	146.4	—	2.2
Midland Bank Unit Tst.	195.7	206.1	—	—
Midland Bk Managed	195.7	206.1	—	—
Midland Bk Internatl	228.2	240.3	—	—

Cannon Assurance Ltd

1 Olympic Way, Wembley HA9 0NB — 01-902 8876

2nd Series Life Accumulation				
Equity	350.6	371.0	+4.8	—
High Income	300.7	318.2	+2.8	—
Property	216.6	229.2	—	—
Managed	254.8	269.6	+2.0	—
Deposit	176.4	186.7	—	—
Gilt	177.8	188.1	+0.5	—
American	253.6	268.4	+2.1	—
International Money	199.6	211.2	−0.3	—
Index	108.6	114.9	+0.3	—
Far East	211.0	223.3	+1.4	—
Global	105.6	111.7	+1.5	—
European	110.0	116.4	+0.4	—
Japan	114.0	120.6	+0.9	—
Residential Property	96.7	102.3	—	—
2nd Series Pension Accumulation				

Crusader Insurance Plc

Reigate, Surrey RH2 8BL — 07372 42424

Measured Performance	103.8	109.8	+0.5	—
Performance Plus	104.5	110.6	+0.2	—
With Profit Perform.	97.2	102.9	—	—
UK Opportunity	104.2	110.3	+1.1	—
European Opportunity	113.0	119.6	+0.7	—
Nth American Opp.	101.9	107.8	−0.5	—
Far Eastern Opp.	102.2	108.1	−0.4	—
Gwth Prp Ser 1 Jan 7	142.8	151.0	—	—
Gwth Prp Ser 2	97.0	102.6	—	—
Fixed Interest	97.5	103.2	+1.1	—
Cash	97.2	102.9	—	—
Managed Pens (Nov 18)	291.63	299.19	—	—

Devenshire Life

29 Glasshouse St., W1R 5RG — 01-434 3511

Managed	116.4	122.6	+0.8	—
World Growth	100.4	105.8	+1.1	—
UK Equity	120.8	127.2	+0.8	—
UK Small Companies	119.2	125.6	+0.2	—
European	104.2	109.8	+0.4	—
Far Eastern	162.6	171.2	+3.2	—
Nth American	97.1	102.3	+1.2	—
Fixed Interest	104.5	110.1	—	—
Index Linked Stks.	99.6	104.9	+0.5	—
Money	100.3	105.7	—	—
Pen Managed	129.3	136.2	+1.3	—
Pen World Growth	102.4	107.1	+1.0	—
Pen UK Equity	139.6	147.0	+1.3	—
Pen UK Small Cos.	130.8	137.8	+0.7	—
Pen European	105.5	111.1	+0.5	—
Pen Far Eastern	213.7	225.1	+1.9	—
Pen Nth American	94.7	99.8	+1.4	—
Pen Fixed Interest	108.2	114.0	+2.5	—
Pen Index Lnkd Stks.	99.8	105.2	+0.5	—
Pen Money	104.7	110.3	+0.1	—

Eagle Star Insurance Co Ltd

Bath Road, Cheltenham GL53 7LQ — 0242 521311

Secure Fund	104.1	109.6	—	—
Blue Chip Fund	130.8	137.7	+0.7	—
Performance Fund	157.3	165.6	+1.2	—

INSURANCE, OVERSEAS & MONEY FUNDS

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG 0264 52188

Managed Fund	151.0	159.1	+1.1	—
Property Fund	117.8	124.1	-1.1	—
Fixed Int. Fund	128.3	135.1	+0.7	—
Money Fund	119.1	125.5	+0.1	—
Equity Fund	199.3	209.9	+2.4	—

TSB Pensions Ltd.

Managed Pension	425.6	448.1	+2.2	—
Deposit Pension	115.6	121.8	+0.1	—

Target Life Assurance Co. Ltd.
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 394000

Managed	430.4	435.2	+3.7	—
Property	261.9	275.7	+0.5	—
Fixed Int.	159.7	168.2	+0.4	—
UK Equity	486.6	512.5	+4.4	—
Int. Equity	339.8	357.7	+2.4	—
Deposit	157.6	165.9		—
Managed Property	220.5	232.2	+2.2	—
American Eagle	115.1	121.2	+0.6	—
Technology	98.9	104.2	+2.5	—
Worldwide Income	177.8	187.2		—
Pacific	179.2	188.7	+0.5	—
Australian	91.2	96.0	-0.8	—
Japan	292.3	307.7	+7.5	—
Commodity	107.5	113.2	-0.1	—
Gold	137.6	144.9		—
Financial	205.2	216.1	+0.6	—
Income	234.0	248.5	-0.1	—
Special Situations	215.2	226.2		—
Preference	136.1	143.3		—
Managed Currency	96.8	101.9		—
European Spec. Sits.	201.4	212.0	+1.6	—
Sterling	110.3			—
Residential Property	98.1	103.3		—
Pension Funds				
Managed Pension	1235.4	1300.5	+11.9	—
Gilt Pens.	350.9	369.4	+3.6	—
Property Pens.	639.8	673.6	+4.5	—
Equity Pens.	598.1	629.6	+7.9	—
Index-L Plan	124.3	130.9	+0.6	—
Guar. Pen.	258.8	272.5	+0.1	—
Leicester Retirement	155.5	163.7		—

Prices quoted are for Accumulation units.

Teachers' Assurance Company Ltd

The Porchester Group
91 Wimpole Street, London W1M 7DA 01-493 9090

Porchester Managed Funds

Albany	217.3	223.4	+0.5	—
Centrifi	104.5	120.8		—
Idm Life	110.6	114.5	+1.2	—
Royal Heritage	100.7	106.0	+1.8	—
Schroder	98.0	103.1	+1.2	—
Scandia	118.7	124.9	+0.3	—
Target	120.7	126.6	+0.4	—
Trident	114.0	120.1	+0.7	—

Porchester Managed Pension Funds

Albany	127.9	134.5	+0.8	—
Schroder	98.8	104.0	+0.2	—
Scandia	124.1	130.6	+0.1	—
Target	110.5	116.0	+0.1	—

Managed by Porchester Securities Limited

Sharp (Albert E.) & Co
12 Newhall Street, Birmingham B3 3ER 021-236 5801

Man-Clerical Med.	114.6	120.7	+0.8	—
Pens. Man-Schroder	467.8	492.4	+3.3	—

Towry Law & Co
57 High St, Windsor, SL4 1LX 0753 868244

Clerical & Medical	100.4	105.7	+0.4	—
Guardian Royal Exch.	97.6	102.8	+0.8	—
M&G Ass (Life)	111.9	117.6		—
M & G Ass (Pens)	127.9	134.6		—
Norwich Union Ass. Mgr.	54.2	57.0		—
Royal Life (Unit Lnk Ass)	101.5	106.8		—
Scot Equitable (Life)	148.7	156.5		—
Scott Equitable (Pens)	101.4	106.7		—
Scot Mutual (Life)	152.9	160.9		—
Scot. Mutual (Pens)	138.2	145.5		—
Vanbrugh Life Ass.	119.0	125.3		—

J. D. Ward & Co Ltd
55 Lincoln's Inn Fields, WC2A 3LX. 01-242 2263

Target Mngd Bond	185.4	195.2	+1.8	—
Target Mngd Pension	123.7	130.2	+1.5	—
Albany Mngd Bond	163.1	171.7		—
Albany Mngd Pension	206.1	216.9		—

Yorkshire & Lancashire Investment Mgt.
2 Parson Lane, Clitheroe, BB7 2JH (0200) 28066

Growth & Income (RU)	172.1	181.2		—

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES
Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS
3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk.	48
BAT	35	P & O Dfd	45
BOC Grp.	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect.	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons.	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	$3\frac{1}{2}$
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	29	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds.	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

1986/87 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¾	99	Exch. 13¼pc 1987	99		—	—
100⅞	97	Treas 10½pcCv '87	99		—	—
99	92	Exch 2½pc 1987	99	+	2.52	12.49
101¼	97½	Exch. 10½pc 1987	99		10.52	10.97
100	95	Funding 6½pc 85-87	99	+	6.55	9.45
101¼	96	Treas. 10pc 1987	99	+	10.02	10.50
97	90⅞	Treas 3pc 1987	97	+	3.07	7.73
104	99	Treas. 12pc 1987	101	+	11.87	10.43
99	92	Treas 7¾pc 1985-88‡‡	97	+	7.99	10.14
104	96	Exch 10½pc '88	99	+	10.51	10.54
102	95	Treas 9¾pc Cv '88	98	+	9.86	10.59
94	86	Transport 3pc '78-88	93	+	3.21	7.84
102	93	Treas. 9½pc '88	98	+	9.67	10.59
107	98	Treas 11½pc 1989	101	+	11.32	10.67
103	93	Treas 9½pc Cnv 1989	97	+	9.71	10.57
92	82	Treas 3pc 1989	89	+	3.34	7.94
105	95	Treas 10½pc 1989	99	+	10.51	10.55
104	94	Exch 10pc 1989	98	+	10.13	10.60
107	97	Exch 11pc 1989	100	+	10.91	10.63
93	84	Treas 5pc 1986-89	90	+	5.52	8.92
110	94	Exch 10¼pcCv '89	100	+	10.17	9.92
114	103	Treas 13pc 1990‡‡	106	+	12.26	10.60
108	97	Exch 11pc 1990‡‡	101	+	10.88	10.60
113	101	Exch. 12½pc 1990	104	+	11.90	10.58
89	79	Treas. 3pc 1990	85	+	3.53	8.26
100	89	Treas 8¼pc 1987-90‡‡	94	+	8.70	10.06
106	93	Treas. 10pcCv 1990	98	+	10.19	10.60
86	76	Exch 2½pc 1990	81	+	3.06	8.10
112	99	Treas 11¾pc 1991	103	+	11.32	10.54
94	83	Funding 5¾pc '87-91‡‡	87	+	6.54	9.29

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
147	30	Anglo-Dominion	112	+5	—	—	—
80	21	♥Colby Res Corp.	21	–1	—	—	—
300	115	Cons. Murch. 10c.	£17		060c	4.4	9.9
48	24	‡Emex Int. Ir10p	45	–2	—	—	—
172	70	Greenwich Res	172	+1	—	—	—
327	165	♥Highwood Res.	225		—	—	—
£20¾	£13½	Homestake Mining $1	£18		020c	—	0.7
310	156	♥McFinley Red Lake	162	–9	—	—	—
285	113	♥Mosto Explorations	136	–3	—	—	—
51	28	♥New Sabina Res C$1	39	–5	—	—	—
353	200	Northgate C$1	327	–9	—	—	—
790	513	RTZ	734	–6	22.0	2.4	4.1
£164	£115	Do 9½pcLn '95-2000	£156		Q9½%	15.5	16.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- †† Dealt in under Rule 535(3)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- ♦ Forecast dividend; cover on earnings updated by latest interim statement
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs. ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	62		Fin 13% 97/02	£101½	+¼
Craig & Rose £1	£14¼	...	Arnotts	395	
Finlay Pkg. 5p	53		CPI Hldgs	57	+2
Holt (Jos) 25p	835		Carroll Inds.	161xd	
Iold Stm. £1	76		Dublin Gas	10	....
			Hall (R. & H.)	102	..
IRISH			Heiton Hldgs.	29	+1
Fund 11¾% 1988	£97½	–	Irish Ropes	145xd	...
Nat 9¾% 84/89	£92¼		Unidare	310	......

"Recent Issues" and "Rights" Page 8

FINANCIAL TIMES
Saturday January 17 1987

Shake-up in Soviet politburo 'imminent'

BY PATRICK COCKBURN IN MOSCOW

A SHAKE-UP in the senior ranks of the 12-member Soviet politburo is likely at the next meeting of the Communist Party's central committee, according to Soviet officials.

The plans of Mr Mikhail Gorbachev, the party secretary-general, to change the party's policies, personnel and organisation have reached a critical point as officials prepare for the long-delayed central committee meeting, expected for next week.

The following changes may occur, officials say.

Mr Eduard Shevardnadze, the Foreign Minister, would take charge of the KGB security police and be succeeded by Mr Anatoly Dobrynin, head of the Central Committee's international department. For more than 20 years, the latter was Soviet ambassador in Washington.

Mr Viktor Chebrikov, KGB chief since December 1982, would move to become party leader in the Ukraine, a western Soviet republic with a population of 50m, which Mr Vladimir Shcherbitsky has led since 1972. The latter, a politburo member since 1971 and the last surviving member of that body who was close to the late President Leonid Brezhnev, would retire.

The transfer of Mr Shevardnadze to the KGB would not mean a demotion. His appointment as Foreign Minister, to succeed Mr Andrei Gormyko in 1985, was considered temporary, say officials. He was given that job to introduce new policies and break with the way Soviet foreign policy was run during Mr Gromyko's 28 years as minister, and this has been successfully completed, they add.

Mr Gorbachev now wants Mr Shevardnadze to make a similar break with the past at the KGB, where Mr Chebrikov has worked since 1967. He seems to have given full support to Mr Gorbachev during the struggle for the party leadership in 1983 to 1985 but appears not to be considered the best candidate to change the role of the KGB.

The departure of Mr Shcherbitsky in the Ukraine, the largest Soviet republic after the Russian Federation itself, has been long expected.

Mr Dinmukhamed Kunaev, another survivor from the politburo appointed under Brezhnev, was retired abruptly as leader of the Republic of Kazahkstan, at a party meeting on December 16. This, and his displacement by a Russian, led to riots in Alma Aata, the Kazakh capital.

The delay in holding a meeting of the 307-member central committee suggests that Mr Gorbachev faces profound opposition to the political and economic reforms he desires. He promised in a speech last autumn that the next general committee meeting would be about cadres—the party shorthand for personnel policy—and the failure to hold it is widely assumed in Moscow to stem from disagreements about the degree of change

The extent of divisions among the Soviet leaders about the extent of the reform is not known, nor is the effect they might have on the changes contemplated by Mr Gorbachev at the top of the foreign ministry and the KGB. Western diplomats said yesterday that rumours of these Politburo changes circulated throughout last year but added that they had been confirmed by a Soviet official for the first time.

During the last six months, the secretary-general has increased emphasis of the need for political change in the Soviet Union to facilitate economic reform. The pace of this change has accelerated in the last month, with the release of Dr Andrei Sakharov, the most famous Soviet dissident, the dismissal of Mr Kunaev and the public sacking of a senior KGB official who had harassed a journalist exposing corruption.

Pilkington forecasts doubling of profits

By Martin Dickson

PILKINGTON Brothers, the glass manufacturer, yesterday strongly bolstered its defences against the £1.2bn takeover bid from BTR, the industrial conglomerate, with a forecast that its pre-tax profits would double from £123m to £250m in the year to March—far ahead of City expectations.

BTR acknowledged last night that the figure was much higher than both it and the market had been expecting. It was giving detailed examination to the forecast and would then decide whether to revise its offer.

Mr Antony Pilkington, chairman of the glass group, said the increased profits were "a direct result of the many changes we have been making in recent years which have transformed — and are continuing to transform — the company."

BTR, he added, had failed to say how it could improve the business "and we think they do not understand it."

Pilkington is also forecasting 1986-87 sales of £2.2bn against £1.32bn the previous year, earnings per share of 72p, up 224 per cent, and 22p of dividends, up 63 per cent. The dividend cover would improve from 1.6 times to 3.3 times.

Stockbroker's analysts, who had been expecting the company to forecast pre-tax profits of between £210m and £220m for this year, hastily increased their own rough forecasts of Pilkington's likely profits in 1987-88 to about £300m. The company's shares rose sharply, closing last night at 710p, up 25p on the day. BTR closed at 290p, up 5p.

Several analysts said BTR would have to increase its offer from the current 547p to about 800p if it was to have any chance of success.

The forecast pre-tax profit includes a £15.6m boost from the inclusion of figures for 15 months from Libbey-Owens-Ford, the American glassmaker of which Pilkington acquired full control last year. But this had been signalled to the market well in advance, as had a change in accounting policies to revalue assets on the historical cost basis used by most companies. Last year's profit figures have been restated to take account of this change.

See Lex

Inflation rate continues to rise

BY JANET BUSH

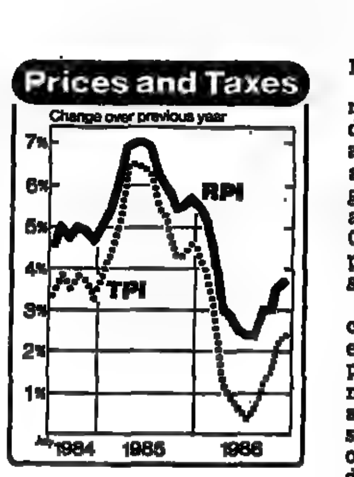
BRITAIN'S inflation rate continued to rise in December to end the year at an annual 3.7 per cent, well above the trough of 2.4 per cent recorded in July and August, and seems likely to increase again this month.

The rise in December's Retail Prices Index gives an average rate in the fourth quarter of 3.4 per cent, above the Chancellor's Autumn Statement forecast of 3¼ per cent.

Mr Kenneth Clarke, Paymaster General, said yesterday that inflation was still low by past standards and would remain in low single figures. He noted that pay rises were beginning to reflect lower inflation, but that this would have to be maintained if the unemployment total were to continue falling.

Mr Ian Wrigglesworth, Alliance trade and industry spokesman, said yesterday's figures were a foretaste of worse to come.

He said earnings were still obstinately high and oil prices rising. Inflation was likely to



rise above 5 per cent by the end of this year, a view shared by most independent forecasters and more pessimistic than the Chancellor's forecast of 3¾ per cent in the final quarter.

British inflation is already well above that of competitors, and there is official concern that the combination of higher oil prices and a weak pound could exert even more upward pressure on the rate.

The 0.3 per cent rise last month was mainly because of dearer food, motor insurance and some rents. There was also a residual boost from the mortgage rate rises which mostly affected November's figures. Christmas discounts on the prices of wines and spirits offset some of the rises.

Employment Department officials said that some of the effect of recently announced petrol price increases should not come through until February's RPI figures and new year sales should mean lower prices on clothing, footwear and durable goods. This month's cold weather could boost some food prices.

The Retail Prices Index stood at 393.0 in December (January 1974=100) compared with 391.7 the previous month. The Tax and Price Index, which measures the impact of tax as well as prices on incomes, stood at 197.1 (January 1978=100), 2.4 per cent higher than a year earlier. November's TPI was 196.3.

Paribas shares set at FFr 405

BY GEORGE GRAHAM IN PARIS

THE French Government has fixed a price of FFr 405 (£43.7), a share for the privatisation of the Paribas investment banking group, the largest share offering ever on the Paris stock exchange.

The price values the group at FFr 18.89bn, significantly lower than analysts expected. Most brokers have estimated that the shares are worth between FFr 430 and FFr 450 each.

The French Government had fixed a minimum value of FFr 17.5bn for Paribas, the second company on its privatisation list. St Gobain, the glass company, was floated last month.

Mr Edouard Balladur, minister for the economy, finance and privatisation, announced yesterday that 18.2 per cent of Paribas's capital would be sold to 17 major or "core" institutional investors, outside the public offer.

The main shareholders will be Total-CFP, the oil company, and UAP, the insurance group, each receiving 3 per cent. Two other insurance companies, the state-owned AGF and the private sector Axa, will each take 2 per cent. L'Oreal, the cosmetics group, will take 1 per cent.

The list includes the Bruxelles Lambert group, with which Paribas has close connections, and the Kuwait Investment Authority. It signals the rehabilitation of Mr Pierre Moussa, former chairman of Paribas, and Mr Gerard Eskenazi, his managing director, who left the group after its acrimonious nationalisation in 1982.

Mr Moussa is behind France-Developpement (Frandev), the closed investment fund, which will take 0.6 per cent of Paribas. Mr Eskenazi's Pargesa group is tied to Bruxelles Lambert.

The core investors will pay FFr 415 for their shares, a premium of 2.5 per cent, and have guaranteed to hold on to 80 per cent of their stakes for at least two years.

Mr Michel Francois-Poncet, chairman of Paribas, said yesterday: "They are institutions we work with. We are completely satisfied with all the candidates."

The public offering of shares in France will cover 32 per cent of Paribas's capital, with 4 per cent held in reserve by the Government to meet the issue of free shares to small investors hold on to their stakes for at least 18 months.

A further 7.5 per cent is being sold to employees at a discount of between 5 and 20 per cent.

Mr Balladur had been expected to set a low price for the shares, as he did with St Gobain, to ensure the success of the flotation. However, the price is viewed in Paris as low even by that standard, and represents a discount to the group's estimate of its net asset value.

● Richard Tomkins adds: Cleveland Securities, the London licensed dealer which has pulled out of "grey" market dealings in UK privatisation stocks, was yesterday poised to open a two-way market in Paribas shares.

Grey market dealings take place before official dealings begin. Cleveland has been obliged to drop its market-making in UK privatisation stocks in the wake of hostile comment over its role in the British Gas flotation.

Cleveland feels no such constraints over marketing overseas stocks, and said yesterday it would begin trading the FFr 405 Paribas shares at between FFr 464 and FFr 480 on Monday morning.

Diplomat is chosen as Hong Kong governor

By Colina MacDougall in London and David Dodwell in Hong Kong

THE BRITISH Government yesterday announced the appointment of Mr David Wilson, aged 51, a career diplomat, as governor of Hong Kong to succeed Sir Edward Youde, who died suddenly early last month in Peking. At the same time, the Queen approved Mr Wilson's appointment as Knight Commander of the Order of St Michael and St George.

Sir David expects to take up his appointment in Hong Kong in April.

He has been regarded as the front runner for the post since the death of Sir Edward. Sir David played a leading role in Britain's negotiations over Hong Kong with China. He headed the 1984 British team which drew up the joint declaration agreeing terms for the territory's handover in 1997.

Sir David, a fluent Chinese speaker who studied in Hong Kong in the early 1960s, was later posted to Peking. He left the foreign service in 1968 for six years to do a PhD and to edit the authoritative journal China Quarterly, returning to the Foreign Office in 1974. From 1977 to 1981 he served as political adviser to the Hong Kong governor.

His appointment comes at a crucial time for Hong Kong as officials in China who did much to promote an acceptable agreement over Hong Kong with Britain in 1984 come under new political pressure.

The resignation yesterday of Mr Hu Yaobang, China's Communist Party general secretary, in the wake of student demonstrations and earlier dismissals of senior academics for "bourgeois liberalism," is ominous.

It suggests that China could take a harder line on the proposed widening of democracy in the British territory and perhaps a harder line in the continuing negotiations in the Joint Sino-British Liaison Group

However, Sir David pointed out yesterday that Britain's agreement was with a government, not with an individual. "I have full confidence that China's commitments to Hong Kong will be met, and there will be full implementation of the joint declaration between Britain and China," he said.

It was widely reported in Hong Kong that Sir David was not Mrs Thatcher's first choice (she is said to have offered the post to Sir Percy Cradock, her special adviser on the territory), and some questioned whether this would weaken his voice and that of Hong Kong on critical issues. He declared yesterday, however, that he had total confidence in the support he would get in London and around the world.

Profile, Page 2; Years of the democracy dogfight, Page 8

THE LEX COLUMN

Double indemnity in Zurich

If Bank Leu is right in supposing that it faces no loss on its 5 per cent holding in Guinness despite yesterday's further 17p decline in the share price to 271p, it must be about the only Guinness shareholder left that can make such a claim. In any event, its confidence is more likely to be justified by the £50m that Guinness still has on deposit in Zurich than by the legal enforceability of any agreement Guinness made to buy the shares at cost; a case of possession proving ten-tenths of the law.

Even the loss of £50m, presumably destined to make a hole below the line, is not permanently going to disable Guinness from paying the interim dividend, which was yesterday deferred for want of an audit. But since, in addition, the auditors have yet to make sense of some £25m in suspicious looking invoices, it may be some time before the new board feels confident enough about the books to start shelling out cash to investors.

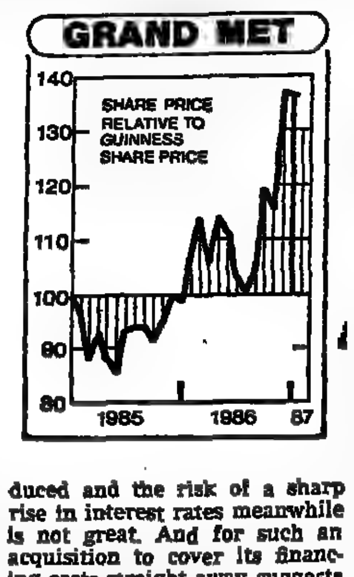
Amid all the attributions of blame and irresponsibility, the non-executive directors — and the auditors—have had a relatively easy ride. It is worth wondering, however, how hard the auditors would have pressed on those invoices without some external shock, and whether the directors would have noticed anything amiss. Routine financial information put before the board by the previous management is most unlikely to have done the trick: but the questions were there to be asked.

GrandMet/Heublein

Any vestiges of bid speculation left in Grand Metropolitan's share price must have been eradicated yesterday when it fell 4p to 455p. That may not have been the prime consideration behind the $1.2bn acquisition of Heublein, but financing the deal through borrowings certainly has that effect. GrandMet's gearing may have been historically low after recent disposals, at 38 per cent, but at 100 or 115 per cent post this deal it will be well above the levels which have triggered rights issues in times of higher interest rates. This time there is to be no rights or any more major disposals.

This enthusiasm for leverage is aceptable when dollars can be borrowed at, say, 7 per cent and Heublein is the sort of business which throws off cash. Gearing should be quickly reduced and the risk of a sharp rise in interest rates meanwhile is not great. And for such an acquisition to cover its financing costs straight away suggests that the purchase price is more than reasonable. Once GrandMet's IDV and Heublein are put together, and following the tax cuts in the US, the effect on earnings should be significant in the next couple of years, eventually compensating shareholders for evaporation of a potential bid.

Index fell 3.9 to 1403.0



Heublein adds to an existing successful business rather than branching out into the unknown as GrandMet did with Pearle and Quality Care. And though the liqour market is declining, IDV/Heublein will be a leading player with top brands—quite different from Liggett's place in the cigarette market. Heublein could add £15m to profits this year, without difficulty, and bring the prospective p/e down to 11½ or less. If this deal is characteristic of GrandMet's revitalised management, the rating is too low.

BTR/Pilkington

The combination of a truce in the glass war, the tailing off of restructuring costs, and the inclusion of Libbey-Owens-Ford has added up to Pilkington's potent profit forecast of 103 per cent growth to £250m before tax. The improvement in trading margins in the UK has been particularly impressive and with the company's earnings now protected by a text-book geographical spread, £300m looks a trifle pessimistic for 1987-88.

However, as BTR will soon be pointing out, Pilkington has been given a leg up to these dizzy heights by an extra three months from LOF (£15.6m), foreign exchange gains (£8m), no less than three price rises in the UK flat-glass market, and the well-trailed abandonment of the profit-depressing replacement cost depreciation calculus. What is more, next year will bring a full tax charge. But unless BTR can seriously begin to punch its weight such points will scarcely divert the Pilkington bandwagon. The only trouble with better-than-expected forecasts is that they cut both ways for target companies.

BTR could now offer close to 900p a share without pro-forma dilution, though it is constitutionally unlikely to stretch even as far as 800p. But the high turnover in Pilkington shares yesterday suggests that the glazier may have too loose a share-register for comfort. Reduced risk of immediate loss for the longer-term Pilkington holders, given the forecast, bodes well for the defence—this year, though perhaps not next.

Pearl

A sharp-eyed actuary would hardly have been surprised at the bout of takeover speculation that at one point on Thursday lifted Pearl Group's shares 30p. For Pearl has a hidden treasure, hoarded up by its actuaries, that could entice a bidder. The key lies in Pearl's annual returns to Whitehall supervisors, and in estimates of its net assets per share produced by Wood MacKenzie and Quilter.

The annual returns show that Pearl has used a conservative 3 per cent interest rate when computing the liabilities on half its life assurance business (and higher, but still conservative rates on the rest). Hence, it overstates its liabilities to policyholders considerably. On a less conservative but more normal actuarial basis, Pearl's net assets per share total about 380p to 400p.

Pearl closed last night at 365p. A predator could not asset strip Pearl, because Whitehall's approval is needed to alter the proportions in which profits go to policyholders and shareholders (Pearl's ratio is 90:10 in favour of the former). But the new owner could speed up the rate of distribution of cash to all parties. Witness Pearl's own declaration of a special reversionary bonus last year to with-profits policyholders.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES				
A.C. Holdings	465	+ 25	Pentland Inds	515 + 20
Accord Publications	186	+ 8	Pilkington Bros	710 + 25
Assoc News	445	+ 10	Shell Transport	£10⅜ + ⅛
Burndene Invs	120	+ 13	Smith (W. H.) A	290 + 8
DSC Hldgs	80	+ 12	Tate & Lyle	632 + 9
Eng China Clays	356	+ 8	Unilever	£22⅜ + ⅜
Henderson Group	190	+ 16	FALLS	
Hill Samuel	518	+ 13	BAT Inds	501 − 12
Kleinwort Benson	620	+ 18	Baker Perkins	346 − 9
Lloyds Bank	507	+ 15	Beecham	469 − 13
Local London	423	+ 28	Blue Circle	693 − 12
Lucas Inds	518	+ 13	Glaxo	£11¼ − ¼
Midland Bank	609	+ 15	Guinness	271 − 17
Minet Hldgs	257	+ 14	Rothmans	184 − 7
Murray Tech Invs	83	+ 7	Simon Eng	301 − 20
			Tyzack (W. A.)	90 − 8

WORLDWIDE WEATHER

UK today: Mainly dry. Wintry showers on E coast. Overnight frost and freezing fog. Outlook: Cold and dry.

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	7	45	Dallas†		—	—	Madeira	F	18	64	Perth	S	25	77
Algiers	R	6	43	Dublin	C	2	36	Madrid	F	7	45	Prague	Fg	−9	16
Amsdm.	C	−7	19	Dbrvnk.	F	12	54	Majrca	Dr	6	43	Rykjvk.	R	4	39
Athens	C	16	61	Ednbgh.	C	2	36	Malaga	S	8	46	Rhodes	F	16	61
Bahrain	S	18	64	Faro	S	11	52	Malta	C	10	50	Rio J'o†		—	—
Barclna.	S	7	45	Florence	F	9	48	M'chstr	C	1	34	Rome	F	10	50
Belfast	C	2	36	Frankft	Sn	−9	16	Melbne	S	37	99	Salzbrg	C	−7	19
Belgrd.	S	2	36	Gneva	Sn	−6	21	Mex. C.†		—	—	S'cisco†		—	—
Berlin	C	−11	12	Gibrltr.	S	9	48	Miami†	S	19	66	Seoul	R	5	41
Biarritz	Sn	−5	23	Glsgw	Sl	2	36	Milan	C	1	34	Singapr.		—	—
Bmghm.	C	0	32	G'rnsey	C	1	34	Montrl†	F	−15	5	S'tiago†		—	—
Blackpl	Sn	1	34	Helsnki	C	−13	9	Moscow		—	—	Stkhm.	S	−12	10
Bombay	F	27	81	H Kong	S	21	70	Munich	C	−7	19	Strsbg	Sn	−8	18
Bordx.	C	−7	19	Innsbrk.	F	−4	25	Nairobi		—	—	Sydney	S	32	90
Boulgn		—	—	Invrnss	C	−1	30	Naples	F	11	52	Tangier	S	11	52
Bristol	Sn	2	36	I.o.Man	C	3	37	Nassau		—	—	Tel Aviv	S	22	72
Brussls	C	−8	18	Istanbul	S	15	59	Nwcstl	C	2	36	Tenerife	F	20	68
Budpst.	C	0	32	Jersey	C	2	36	N Delhi	R	11	52	Tokyo	S	11	52
Cairo	S	27	81	Jo'burg	F	24	75	N York†	C	5	41	T'r'nto†	F	−7	19
Cardiff	C	1	34	L. Plms.	C	20	68	Nice	C	4	39	Tunis	R	8	46
Cape T	S	27	81	Lisbon	S	10	50	Nicosia	S	19	66	Valencia	F	10	50
Chicg.†	C	−7	19	Locrno	Sn	1	34	Oporto	S	9	48	Venice		—	—
Colgne	Sn	−8	18	London	C	1	34	Oslo	S	−12	10	Vienna	Fg	−7	19
Cpnhgn	C	−3	27	L. Ang†	F	5	41	Paris		—	—	Warsw	S	−13	9
Corfu	C	13	55	Lxmbg	Sn	−10	14	Peking	S	3	37	Zurich	Sn	−7	19

C—Cloudy. Dr—Drizzle. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder. † Noon GMT temperatures.

APV in £147m agreed bid for Baker Perkins

BY NICK GARNETT

APV HOLDINGS yesterday unveiled its agreed bid worth about £147m for Baker Perkins, which would create one of the world's largest manufacturers of equipment for food and drink processing.

The new company, to be called APV Baker, would have total sales of £700m, a workforce of 13,500 and 20 main production sites in the US, UK and Australasia.

Both companies said the aim of the merger was to improve their ability to compete in world markets. There would be some rationalisation, principally in the US.

The offer consists of three APV ordinary shares for every five Baker Perkins ordinary shares and 105p in cash for each Baker Perkins preference share.

Acceptance of the offer would involve the issue of 25m APV ordinary shares, representing 43.9 per cent of the enlarged share capital of APV.

Baker Perkins shareholders would be entitled to keep the 3.25p interim dividend declared in December, payable in February.

APV makes process plant for the dairy, food and beverage industries, while Baker Perkins' activities centre on manufacturing plant for producing bread, biscuits, confectionery and snack foods, as well as printing machinery.

The companies said yesterday that their products, markets and technology, were complimentary. Their customers were increasingly combining operations in the different segments of the food and beverage processing industries served by APV and Baker Perkins.

Sir Ronald McIntosh, APV's chairman, would remain as chairman of the new group and Mr Fred Smith, chief executive of APV, would also continue as chief executive.

Mr John Peake, Baker Perkins chairman, would become deputy chairman of APV Baker and Mr Mike Smith, Baker Perkins' chief executive, would be deputy chief executive.

Mr Colin Joyce, finance director at Baker Perkins, would be the group's finance director.

APV Baker would still have a smaller turnover than Alfa Laval, the Swedish food plant manufacturer which specialises in milking machinery and other dairy equipment, but the new grouping would have a broad spread of equipment.

Competitors manufacturing equipment for processing liquid foods include Pasilac, part of the Danish Sugar Factories group, and FMC in the US. Baker Perkins' competitors include Werner Pleiderer, part of the Krupp group.

Merchant bankers Morgan Grenfell is the financial adviser to Baker Perkins and S. G. Warburg is advising APV.

Continued from Page 1

China

chief Zhu Houze, who has been too tolerant for the party's liking and is now fighting for his political survival.

The first reaction of ordinary Chinese was bewilderment. They learned that the second most powerful man in the country had fallen when a news announcer in a grey Mao suit read a Politburo communique at the beginning of the national news last night.

Zhao Ziyang, 67, who has received unusual prominence in the Chinese media in recent days, is the role model for a new generation of technocrats. He is generally thought by diplomats to have won power more by hard work than political cunning, although merely surviving in Chinese politics requires cunning.

None of his recent statements show that his enthusiasm for reform has faltered, but he will be facing a party that has shown itself to be intolerant and includes a strong conservative faction that must surely count Hu's downfall as a victory.

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WEEKEND FT

How safe are Britain's nuclear power stations? Trying to find out,

Max Wilkinson seeks to simulate total disaster—a meltdown

Wreck the reactor!

Mr John Baker, managing director of the Central Electricity Generating Board, looked unenthusiastic when I asked if he would allow me to try to melt down one of his nuclear power stations.

"But if the CEGB really believes it is impossible," I said, "why should you object?"

My request arose out of the extensive discussions in Europe about whether or not modern nuclear reactors would be proof against a wrecker seeking to cause a major disaster. Because both the world's worst nuclear accidents—Three Mile Island in the US and Chernobyl in the Ukraine—were caused by gross errors by their operators, it is important to know if engineers in modern Western plants could trigger off a serious accident—perhaps at gunpoint, or if an operator were drunk, drugged, demented or just half-asleep.

If, as the authorities claim, the system is proof against these hazards, the same system should certainly be able to withstand a journalist trying to do his worst on a Monday afternoon. Eventually the CEGB said yes, it would be happy to co-operate—but by using a simulator, which looks and behaves exactly like a nulclear control desk.

On the real thing, the CEGB said, an amateur could cause millions, even hundreds of millions, of pounds worth of damage—by wrecking a boiler, for example—even if the danger of melting down the radioactive core was "negligible."

The CEGB's simulators at its training centre near Oldbury, on the banks of the Severn, are intended to ensure that operators will never make the same kind of mistakes made at Chernobyl. At the Russian reactor, safety systems were recklessly turned off one after another; crucial operating rules were broken; the reactor was deliberately put into a state equivalent to a jumbo jet in a nose dive with its engines turned off. What happens if someone tries to do the same on one of Britain's Advanced Gas-cooled Reactors (AGRs)?

Armed with the Soviet enquiry commission's report on the Chernobyl disaster, a 100-page booklet called The Safety of the AGR, and some extracts from CEGB training manuals, I set out to do as much damage as possible to a reactor at Hinkley Point B, a 660Mw reactor a few miles down the estuary a unit at Hinkley Point B, a 660Mw from the Oldbury centre, where the control desk is exactly duplicated.

Although the controls look at first sight as complicated as an airliner's cockpit, the basic principles of the nuclear plant are fairly simple. The reactor core is a roughly cylindrical chamber encased in thick concrete and lined with steel. It contains around 300 vertical fuel tubes filled with uranium oxide pellets. In most of the spaces between these fuel tubes, control rods made of stainless steel are placed so that they can be slid up and down to regulate the speed of the atomic reaction.

Nuclear fission occurs when a stray neutron from a uranium (U-235) atom bombards a similar atom and splits it. This releases heat and more neutrons which whizz off and split more atoms, causing a chain reaction.

Normally most neutrons travel so fast that they go straight through an atom without splitting it. However, graphite blocks called "moderators" slow the neutrons to exactly the speed for splitting atoms. When all the control rods are dropped into the core they mop up so many neutrons that fission stops and the reactor is "shut down." This happens in emergency, or if the reactor is overheating.

By raising and lowering control rods, operators can regulate the speed of the reaction. In normal service overheating is prevented by a stream of high pressure carbon dioxide gas blown through the core. These hot gases then pass through a boiler, which makes superheated steam to drive a huge turbine connected to an electricity generator.

The first thing an amateur terrorist discovers is that it is quite difficult to stop the reactor shutting down. At full power the whole system is delicately balanced, with exactly enough control rods withdrawn to allow a steady, but not accelerating, chain reaction, while the coolant gas is pumped through at just the right speed and pressure to prevent over-heating.

So what happens if you start flicking switches at random? The first switch I flicked shut an extremely important valve which controls the flow of cooling gas into the reactor core. "That should do something," said Roger Tibbles, a control room engineer from the "real" Hinkley Point

Within seconds a dial showed gas flow dropping fast; the television monitor showed that the temperature in the hottest part of the core had begun to rise from its regulation level of 640 deg C. But it was still a long way from the 1,390 deg C needed to cause a meltdown of the fuel tube casings or the 2,800 deg C required to melt the uranium itself.

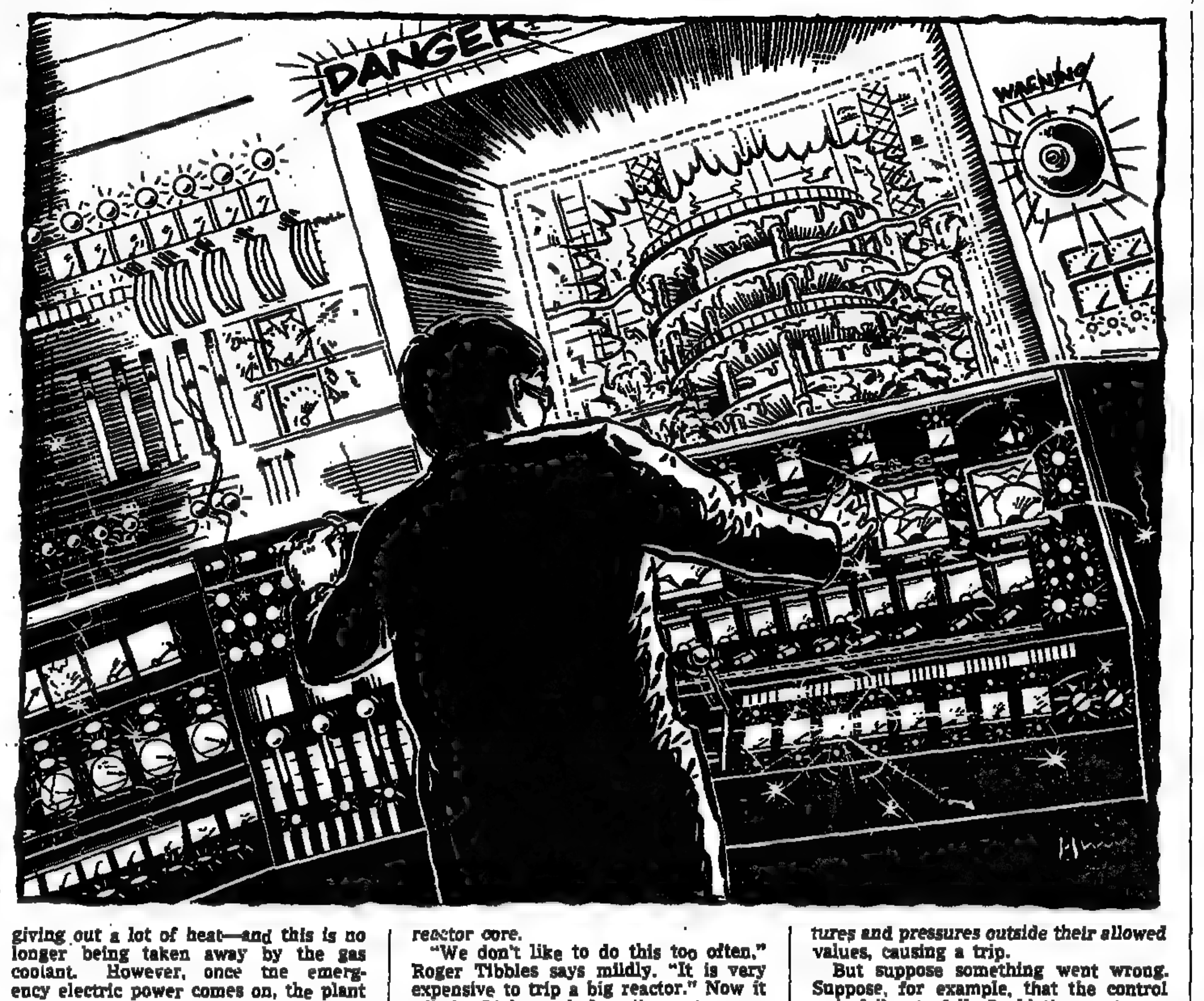
Then suddenly the simulated control room erupts into the kind of activity usually seen on the flight deck of the Starship Enterprise as it approaches a Black Hole. Red lights flash on the control desk. A warning siren pulses. The gas is flowing far too slowly to keep the reactor core cooled:

Now, more red lights show that temperatures and pressures in many different parts of the plant have been upset. (The warning lamps are all part of the array which holds the control rods out of the core). After only a couple of minutes they are lighting up at alarming speed. Soon it is too late even for a skilled operator to save the situation. The point of no return is reached: the reactor "trips."

The control panel of the simulator now looks like a Christmas tree: lights flashing everywhere. "There is nothing you can do now." Roger Tibbles says in his soothing West Country tone. A new electronic display has come to life, showing that the huge reactor has switched onto automatic pilot and prepares now to shut itself down with the least damage.

Two seconds ago the turbine was spinning at 3,000 revolutions per minute, producing enough electricity to supply, perhaps, 200,000 homes. Now, as it begins to come to a standstill, new supplies are needed to keep the reactor's control systems going. The station's four gas turbine generators start up, in case there should be an interruption of supply from the main power grid.

At the moment of "trip" all the control rods fell into the reactor core (a special buffer system prevents a crunch). But although the reactor was almost immediately shut down it is still



giving out a lot of heat—and this is no longer being taken away by the gas coolant. However, once tne emergency electric power comes on, the plant takes automatic steps to keep itself cool, under the control of a pair of computers, each backing up the other.

Valves are opened and pumps started to restore the rush of cooling gas through the main core and keep the water flowing through the steam-generating boilers. Another valve now opens to let this high pressure steam pour out into the atmosphere like an exploding geyser. It makes a lot of noise, but it is harmless: it has not been in contact with any radioactive particles.

All this, of course, has to be imagined. In the calm of the simulator the buzzers have been silenced. The indicator lights on the "trip" panel now show, with benign efficiency, that the first ten minutes of trip procedures have taken place. The gas coolant is once again present and correct. In all four quadrants of the reactor the gas regulators have been pushed fully open and the pumps are back on duty cooling down the reactor core.

"We don't like to do this too often," Roger Tibbles says mildly. "It is very expensive to trip a big reactor." Now it will be 24 hours before the system can be brought back up to power: a gradual, cautious process of raising temperatures and pressures while the control rods are inched back out of the core. The engineers must exactly balance the rise in heat output from the nuclear core by increasing the flows of cooling gas and water in the boilers. And if the operators make a false move, the reactor may trip.

Somewhere—perhaps in a distant oil-fired power station—another group of operators has received a signal to open the steam valves and bring their machine up to full power to supply the deficit caused by the nuclear reactor's trip. The extra fuel consumed will cost about £150,000 each day that the nuclear reactor is out of service.

An expensive "trip," but certainly safe. After a few hours' demonstration and experiment it becomes obvious that almost any interference with the control switches will eventually push temperatures and pressures outside their allowed values, causing a trip.

But suppose something went wrong. Suppose, for example, that the control rods failed to fall. Could the reactor go on pouring out heat at full power when there was no flow of coolant gas to take it away?

The chance is remote. The 90-odd control rods are suspended on a pulley system which requires electric power to keep them up. If the power fails they will automatically descend and shut the reactor down. The electric current constantly needed to hold the rods out of the core flows through a series of switches, any one of which can turn the current off and allow the rods to fall. Each switch is connected to a different part of the system, so many different signals of excessive temperature or imbalance in the plant could cause a trip.

Perhaps an educated sort of terrorist might try to prevent the switches working, and hold the control rods in the "up" position? Peter Tompsett, senior tutor at the Oldbury training centre, does not think this a plausible possibility. He points out that two separate keys are needed to get into the compartment controlling the switches. It would take careful rewiring of the electrical relays—but at full power this would probably cause the reactor to trip. Meanwhile any operator could shut the reactor down by pushing a button . . . A novelist creating such a story would have to give villains an extraordinary combination of suicidal impulse and engineering skill.

★

Meanwhile, back at the simulator, the question persists: "What else could have gone wrong? Suppose, for example, all the control rods had somehow become jammed in the "up" position. Well, there are still two back-up systems, allowing the core to be flooded with nitrogen gas or with water, both of which sponge up neutrons. Either will stop the neutrons in their tracks.

It is very difficult (perhaps impossible) to think of a way in which the nuclear reaction could career out of control, into a Chernobyl type of explosion, without causing a trip. Even if all electricity supplies broke down and every pump and valve became simultaneously jammed, the rods would still fall into the core and shut the reactor down.

So how about a serious explosion—one which broke open the reactor vessel? Roger Tibbles does it all the time. In the simulator, a computer programme is loaded which blows a nine-inch hole into the reactor core. Carbon dioxide at high pressure—and up to six times hotter than the boiling point of water—pours out of the chamber. It is very weakly radioactive. Any workers near the blast would be badly burned or killed. This is a very serious accident. But the escaping gas would soon diffuse in the upper atmosphere, causing no significant pollution.

Now in the control room the siren is pulsing and the lights are flashing once again. "The number one priority is to keep the fuel cool," Roger Tibbles says. I look at the array of knobs, dials, blinking indicators, and in a moment of panic forget all his patient instruction over the past three hours. Something like this happened at Three Mile Island, though the operators there were experienced.

"By the way, the electricity supply from the grid has just failed and some of those lamps are giving misleading signals." Tibles says cheerfully. But the crisis lasts only 31 seconds. The rods fall: the reactor is tripped into shutdown.

But I give the crazy order to over-ride the safety system by turning off all the cooling pumps and the emergency generators. The temperature starts to rise slowly — at about 10 deg C per minute. At this rate it would take 2½ hours to reach the melting point of the fuel cladding. But coolant gas drawn through the reactor (as through a convector heater) might well prevent it from ever getting so dangerously hot. This seemed about the worst I could do: no-one knows exactly what would have happened, because it has never been tried, but it is clear that the operators would have several hours and perhaps days to get the cooling pumps back into action.

Nobody pretends that the important questions about the safety of a nuclear plant can be answered by simulations of this kind. Such questions are approached more rigorously, after years of study, by the Nuclear Installations Inspectorate. What an afternoon in the control room simulator does prove is that a nuclear reactor need not be anything like as mysterious or as frightening as many of us imagine. And with Roger Tibbles at one's elbow it certainly feels safe.

The Long View

Guinness could be good for us

If the ground rules of takeover practice are changed as a result of the Guinness affair, Anthony Harris suggests, then the scandal may come to be seen as a public benefit.

POLITICIANS HAVE sensitive noses, so the sight of the solid majority of the Tory party on Thursday, deploring the Government's clearance of the BTR bid for Pilkington Glass, is suggestive.

These MPs—and they included a number of junior ministers in the Department of Trade itself—were not taking sides in the bid battle on any view of the rival merits of the two managements. They were simply responding to a political fact: the whole takeover scene at the moment generates a nasty smell. In other words, they were drawing the right conclusions from the Guinness scandal. In the long run this could prove very good news.

If you have been following this affair simply from the daily bulletins, you may have the impression of a kind of alcoholic Dallas, with Mr Ernest Saunders cast as JR. However, the real importance of the story has little to do with Mr Saunders or even with Guinness. The possibly illegal acts which led to his abrupt sacking would simply make a good anecdote if they were one of a kind.

What matters is that what Guinness and its advisers appear to have done is not as far as it should be from normal City takeover practice. To a greater extent than even cynics like myself had suspected, it seems that the market in takeover stocks has routinely and increasingly been rigged. The propaganda picture of management changing hands in an efficient market, assessing objective information, is not even a caricature.

In these circumstances, management control begins to look like some sort of lottery prize: and the fact that mergers usually produce disappointing results seems perfectly natural.

For everyone except those directly involved, the most unfortunate thing about the Guinness affair is its timing. It has arisen just after the Big Bang, but the bad practices it reveals date back long before that. Indeed, the arrival of impersonal electronic trading may well make the disease rather easier to cure. The last thing we need is to restore the old rules of the club which so successfully hid its dirty linen.

The scandal has also arisen as a direct result of the big Wall Street scandal about insider trading, with Mr Ivan Boesky figuring in both stories. However, although insiders are drawn to bid situations like vultures to a carcass, they are, like the birds, useful as well as repulsive. They help to move prices into line with new facts, and their main victims are other vultures who got there too late.

Tactical price manipulation, however, is quite another matter. It feeds the market with false information and so leads to questionable decisions; and when these decisions concern who should run industry, the results can damage the whole economy—shareholders, employees and customers. This is quite apart from bamboozling the shareholders in the target company, which is the object of the exercise.

Very few practices of this kind are actually criminal, just as the most popular drugs are legal; but like drink and tobacco, share price "support" can seriously damage your health. It seems that it is also, like them, endemic.

Bank advisers put their own funds behind clients; underwriters are offered extra commissions if a bid they are underwriting is successful. Influential institutions organise "fan clubs" (legal) or "concert parties" (illegal) of shareholders; and all this is just the normal rough-and-tumble of takeovers as we have known them.

For the ordinary individual shareholder the moral is very simple. If any company in which you hold shares makes a bid, or is subject to a bid, and the price rises sharply, sell, except in a pure cash bid. The boards and advisers concerned have other matters in mind—power, and a reputation for winning. They are prepared to back their ambitions with money. Take it, just as you would take the money offered by central banks trying to manipulate the currency market.

For the Government the problem is much more complicated. The takeover market remains the only effective way in the US and Britain to get rid of bad managers and substitute good ones. One way out would be to open a different road, and empower the banks to take large equity stakes—as they do notably in Germany—and develop long-term relationships of support and discipline.

This radical approach is quite popular among those who accuse the securities markets of imposing short-sightedness on management, and it does seem to work well in those countries where it is the normal practice. It might be awfully messy to impose the change, though. British and American banks have no relevant experience, and even the big investment institutions, which do have equity holdings (though these are much more diversified than those of a German bank) always plead inexperience if they are asked to take a more active interest in management.

The alternative is to try to make the system we have behave more like the theoretical ideal of a perfect market; and economic theory provides the basic rule. Markets can only be efficient in terms of the information they are offered. Fuller disclosure of company affairs and of share dealings would greatly hamper both price rigging and insider dealing.

This will also be politically difficult to achieve: managers greatly treasure what they call commercial confidence, and will be grudging of corporate information. The SEC in New York has shown that they can be pushed a great deal further than they have been pushed in this country; so far as I know this has never been cited as an explanation of poor US competitive performance.

A greater barrier may be the addiction of British ministers to secrecy in their own affairs. In both corporate and Cabinet affairs, confidentiality covers blunders fairly effectively; so the outcry will have to be correspondingly loud.

The Guinness affair will have a happy ending, then, only if the right lessons are drawn. If it merely results in stronger enforcement of the Takeover Panel's rules, we will have made only limited progress; vital decisions will still be taken partly in the dark. If it results in a drive for more explicit company statements, full disclosure of dealing round a bid—including the unmasking of nominees—and a thorough overhaul of fee structures and incentives among City advisers (with disclosure again), then this is a moral story after all.

•CONTENTS•

•MARKETS•

Out of the dark and bitter

FIRST, there was Guinness. Next, there was more Guinness. And then—to no one's surprise—there was the aftermath of Guinness.

But while that sorry saga enfolded—dominating the week's headlines and causing widespread angst over City morality — the market generally had more cheerful matters in mind.

For a start, there was the oil price. Helped by last week's cold snap, on-going fighting between Iraq and Iran and news of planned Norwegian production cuts, the price of Brent crude which started the year just above the $18 mark, has now added around $1—all grist to the Government's future tax-cutting mill.

On the political front, too, the news was good. The December unemployment figures showed a welcome fall— consumer spend in the pre-Christmas spree beat the most optimistic forecasts; inflationary pressures on industry are still subdued; and the opinions polls seem to be swinging the Government's way.

Best of all, the institutional buying—both domestic and foreign—which started the year with a splash, kept going. As the current run on Wall Street took the Dow to a record 2,070 on Thursday and other European markets firmed, London ratings continued to look attractive—with attention centring on pharmaceutical and export-related stocks.

Scarcely surprising, then, that the FT-100 Index—having nosed steadily ahead on the first two days and weathered some early profit-taking on Wednesday and late Friday — ended the week in record breaking form. By Friday's close the index had hit 1789, over 100 points up since the start of the year. And the ordinary

London

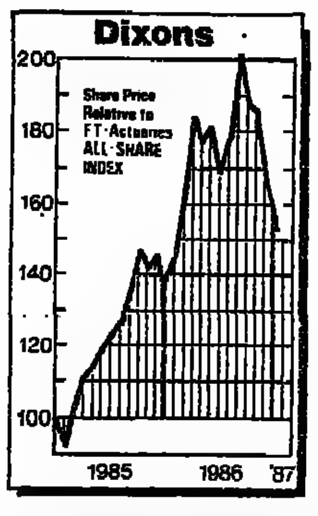
share, which added 6 points last week, is now just 25 points short of last April's high.

Over in the gilt desks, life was slightly less easy. The pound strengthened slightly against the ailing dollar, but could only ease back against the basket of currencies. That put question-marks in dealers' minds over the longer-term level of interest rates. The yield on the index of the high coupon longs moved back into double figures, though by the end of the week buyers were returning.

Not even the City was immune to the falling temperatures. On Wednesday morning, the most ardent dealers got delayed by the commuter chaos and trading was thin. But one man's shiver is another company's profit; while insurances took their usual seasonal knock —with the composites index down 1.5 per cent by Thursday's close before improving as the thaw set in — oil roared ahead. Britoil is now almost 20 per cent up on its end-1986 level — in price terms, a gain of 33p to 204p. And there has even been a modest spin-off for British Telecom — 5p higher on the week — as dealers contemplated the extra use of lines by snow-bound households and the cheerful election outlook.

1987 has seen a slow start on the takeover front. Last week, however, the giant £1.2m bid from industrial conglomerate BTR for glass-maker Pilkington finally got the monopolies' green light. That immediately put some 55p on Pilkington shares, and Friday's £250m profit forecast added another 18p—leaving the shares trading around the 700p level. An offer well over that looks necessary if BTR is to secure its target.

But did the price move too soon? Late business on Wednesday added 20p to the price — and the monopolies decision was not announced until Thursday morning. Taking full advantage of current "insider



trading" storm, BTR cried foul and demanded a Stock Exchange enquiry. A similar — if more prolonged run-up in Pilkington shares — preceded the initial BTR bid.

Among companies reporting, results proved something of a mixed bag. Dixons caused a few furrowed brows despite news of 35 per cent increase in pre-tax profits for the half year on Wednesday. The post-acquisition benefits from integrating Currys start to wear off, and City analysts are not quite sure what to look to next. The Woolworth stake is still held—and still showing a loss—with no benefit to the Woolworth's share price. There has also been talk of a US acquisition. But with perhaps £105m in sight for the full year, Dixons is now sitting on a prospective multiple of 17-plus compared with around 19 a year ago. And that rating could easily continue to drift unless the market starts to glimpse a new profits motor.

Trusthouse Forte, also reporting last week, is in a happier position. The year to October showed only a 5 per cent profits advance to £136m, but that was scored after a small half-time setback and around £12m of lost profits due to the American tourist boycott. What cheered analysts for the more realistic outlook of management, the scope for recovery and further price rises on the UK hotels side and the growing strength of the catering business. With £160m-plus in sight for the current year, the shares on a prospective PE of perhaps 13 seem reasonable enough.

Still on the consumer front, impending sale of Safeway's UK operations moves ever-closer. Last week the field thinned when Tesco ruled itself out of the auction, leaving Argyll—the food retail group headed by Jimmy Gulliver, and trading under the Presto name—as front-runner, with Dee Corporation, an overseas buyer or even a flotation of the business as outsiders. That was good news for Tesco shares, which nudged 3p higher to 428p. Argyll, which has made no secret that such a deal would probably be financed by a vendor placing, eased back by a like amount.

Argyll's cash coffers could, of course, look a lot flushier if all the talk of legal actions against Guinness comes to anything. On that front, the stream of bad news seemed unending. After Ernest Saunders' departure eight days ago, former finance director Olivier Roux followed on Monday and the Wednesday board meeting called for the resignation of Mr Tom Ward and Dr Arthur Fuerer. Yet, even then, the rumblings continued with a letter to shareholders from new chairman Sir Norman McFarlane talking of a further £25m paid over in unattributable fees. The Guinness price—having improved on take-over hopes early in the New Year—just sank. And there it looks likely to stay until worries about potential legal liabilities which the company may have incurred are finally resolved.

Nikki Tait

Wintry smile for gas and forecast looks fair

FEW HAVE had cause to welcome the ferociously cold weather of the last week, but if there is one company which will have been rubbing its hands with glee, it is the newly-privatised **BRITISH GAS**. As a rule of thumb, it is sometimes said that every 1 deg C fall in the average winter temperature adds £80m to British Gas's pre-tax profits.

These bitter conditions, of course, will not have been a factor in the company's figures for the half-year to September, due out on Wednesday. Yet they do serve as a reminder that last year's winter was not only chilly but prolonged.

British Gas traditionally makes a loss in its first half because the period covers the summer months when energy consumption is much lower. The chilly April weather last year will therefore have provided a useful boost to the figures.

On the other side of the coin, the fall in oil prices last year will have proved a handicap because cheaper oil encourages industry to switch away from gas. Overall, these factors seem likely to have balanced each other out, so leaving British Gas with its customary interim loss.

The prospectus indicated that on an historic cost accounting basis, the loss would be a small one and that on a current cost basis it would be larger. No one in the City is prepared to be more precise: instead, analysts are more concerned about whether the accompanying statement gives any indication that the full-year forecast of £836m on a current cost basis (£1.07bn on an historic cost basis) will be exceeded in the light of the recovery in oil prices and the present weather conditions.

Last November the **GESTETNER** family finally surrendered control of its 100-year-old printing business to AFP, an Australian investment company run by Basil Sellers and a pair of former Elders IXL executives.

Next Thursday, when Gestetner reports preliminary results for the year to November 1, the City will be surprised if pre-tax profits exceed the estimates of £11m (against £11.6m previously) made at the time of the AFP deal.

However, next week's figures will not be lacking in special items. Start-up costs of £2m for the desk top publishing venture have been signalled—as has inclusion of a £2.3m gain on the sale of some property. Earnings per share have been estimated at 9.2p (10.6p).

Analysts will be keen to hear more of the new management team's strategic plan for Gestetner. By obtaining control in exchange for a £14m initial cash injection and committing another £128m over the next five years the Australians have put themselves and the company on a fairly demanding earn out.

On Wednesday, **FIRST LEISURE** will be producing its

Results due next week

preliminary results for the year to October 31. Pre-tax profits before property gains should be almost 20 per cent ahead to £12m and the City is looking forward to hearing how the new four-division operating structure under two joint managing directors is working out.

The Blackpool Tower and associated ventures, about a quarter of the company's profits, should have done well with an extended season. The snooker clubs are also expected to have performer strongly as more of the game's television fans take to the cue. The new restaurant operations in Manchester will be included for most of the year.

However, it is uncertain whether the "Chess" musical, which is still running at First Leisure's Prince of Wales theatre in Soho, has yet made enough to cover the investment.

DAVY CORPORATION, interim results due on Wednesday, surprised the City with a strong set of second half figures in July. The group is seen by optimists to be on the recovery track and £7m (against £4.45m last year, depressed even though it had interest received assistance on the lower US pension fund contribution) has to be on the cards.

Over the last few months Davy has purchased A Monk for £17m—which if it does little in the short-term for profits will boost the balance sheet—and a week ago it purchased part of Investment Trade and Management from receivers.

Bid prospects appear to have diminished after Trafalgar

Sir Denis Rooke

House, which holds 5½ per cent of Davy, purchased John Brown.

The other most important factor is likely to have been the sale of Sodastream, which will not only have eliminated around £750,000 worth of losses but will also have provided useful investment income on the proceeds.

Overall, at least £7m is in sight — and the strength of Television South's figures this week means that few would be surprised if the figure were not nearer £8m.

ANGLIA TELEVISION came in far ahead of forecasts at its interim stage last summer, so expectations are high of a strong result for the year to October when the figures come out on Wednesday.

The most important feature of the results will have been the recovery in television advertising revenues from their dip in 1985. In the year to October, national revenues went up by nearly 22 per cent, and Anglia's might reasonably have been expected to go by more because of the relative prosperity of the region.

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Abbey Panels Investments	Tuesday	1.0	1.0	1.2
Associated Newspaper Holdings	Thursday	2.2	2.875	1.5
Body Shop International	Wednesday	0.6	0.9	1.2
Countryside Properties	Wednesday	2.03	3.71	2.25
First National Finance Corporation	Monday	—	2.8	2.25
First National Securities	Monday	—	—	—
Horizon Travel	Wednesday	0.88	3.52	0.88
Horne, Robert Group	Wednesday	1.25	2.0	1.5
PWS Holdings	Tuesday	3.0	6.0	—
Vaux Pollen International	Wednesday	0.33333	0.66667	0.5
Wardle Storeys	Thursday	1.7	3.3	2.0
INTERIM DIVIDENDS				
Abbey	Thursday	2.0	3.0	
Black, Peter	Friday	0.4704	1.0	
Carclo Engineering	Monday	4.0	11.0	
Gnome Photographic Products	Friday	—	6.5	
Hallas Group	Wednesday	1.1	1.1	
Penn Group	Tuesday	1.5	1.8	
Stone International	Wednesday	1.61	3.22	

* Dividends are shown net pence per share and are adjusted for any

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1986-87 high	1986-87 low	
FT-SE 100 Share Index	1,789.0	+26.7	1,752.3	1,370.1	International markets surge higher
Asda-MFI	148	−16	170	130	Uninspiring interim results
Blue Circle	693	−32	726	526	Bid speculation fades
BP	802	+46	805	518	Buoyant crude oil prices
Dixons	328	−20	438	218½	Interim profits below best estimates
First Security	265	+63	275	120	Utd Technologies US takes 9.9% stake
Guinness	271	−38	353	271	Boardroom upheaval
Hill Samuel	518	+55	518	325	Hopes of bid from FAI Insurances
Hobson	64	+14½	64½	4	Expansion hopes
Laing (J.)	445	+25	488	296	Persistent demand
Lilleshall	188	+40	210	69	
Lloyds Bank	507	+50	507	295	Results scheduled for next month
Morgan Grenfell	425	−23	516	353	Rumours of bid from overseas
Pearl	365	+18	375	200	Talk of bid from TSB
Pilkington	710	+84	710	315	BTR cleared to increase bid
Ruberoid	345	+45	345	188	Speculative demand
TSB	82	+ 7	102	72½	Institutional buying ahead of results
Tate and Lyle	632	+38	657	520	Institutional demand
Tyzack (W. A.)	90	+22	102	31	Reported bid approach fm Noble & Lund
Wellcome	266	+16	271	156	Chairman's AGM statement

Now the cookie crumbles

IN THE WAKE of the abysmal response to the flotation of Mrs Fields last year, some commentators wondered whether the flop would discourage other US companies from following the cookie company on to the USM.

However, Borland International, the Californian-based software house which joined the market within a month of Mrs Fields, achieved an immediate premium to the issue price after its offer was oversubscribed. It appeared that the "cookie factor" had been conquered.

Yet recent months have seen a series of setbacks to planned US issues on the junior market. In November, T. M. Duche Nut Company withdrew its plans for a listing because of a lack of institutional support. Then, in December, SPM, a stationery manufacturer, abandoned its offer for sale when it became apparent that the flotation could not be completed before the end of the year. It needed to do so to avoid new, more stringent, US capital gains tax provisions.

This week, Orchid Technology postponed its USM issue at the eleventh hour because of what sponsors Phillips & Drew described as "technical difficulties" although there was no explanation as to what the difficulties were. Orchid, a Californian-based designer and manufacturer of personal computer add-ons, plans to make a further attempt at a flotation but the sponsors were not prepared to say when it would return.

Although the attractions of the USM for US companies undoubtedly remain, especially given the difference in flotation costs between the USM and NASDAQ, the recent setbacks show that sponsors need to be careful about the companies they choose to support. As Geoffrey Douglas of Hoare Govett puts it, "US new issues are looked at more critically than other companies coming to the market."

Meanwhile, the much-maligned Mrs Fields was bouncing back. A recent bullish report from analysts at County Securities has caused a run in the shares, which now stand well above the 140p offer price.

Perhaps the USM was not originally envisaged as a home for US companies, but one group which was expected to

Junior Markets

settle on the junior market was "start-up" or "greenfield" ventures. Although companies are normally required to produce a three year trading record, special rules were drawn up to permit new companies with "fully researched and costed" projects to come to the market.

Hoare Govett calculates that there are 11 greenfield companies on the USM at the moment, including Xylix, whose shares are currently suspended. None of them have been a great success but one of the sorriest stories is that of Bio-Isolates.

The company's founder, Douglas Palmer, and fellow directors patented a process for extracting protein from whey, a waste produced during cheese-making. Bio-Isolates then joined the second market in July 1982, offering 41.2 per cent of its equity at 33p per share. Within months, the shares had become a hot stock, touching 465p in February 1983. As fast as they had risen, the shares then fell and they now stand at just over 20p.

Bio-Isolates has never made a trading profit and its 1985 accounts were qualified by the auditors. This week the company announced that its results for the year to September 1986 were unlikely to show an improvement over the previous year's £441,000 pre-tax deficit. A rescue plan was also revealed under which two directors plan to inject a further £125,000 and Michelstown Co-op, the group's Irish joint venture partner agreed to make a loan.

After such a disappointing run of issues, it may well be that no more greenfield companies will join the USM. The Stock Exchange's new Third Market which begins trading on January 26 is likely to prove a much more appropriate home for startup ventures. Although there will be nothing to prevent new companies from joining the second market—the USM's rules will not change—start-up ventures are likely to get a more welcoming response from "risk-prepared" Third Market investors.

The exception to this rule is likely to be US start-ups since overseas companies can only join the Third Market in "special circumstances." But, especially in the light of the suspicion accorded to US issues, any American start-up will need to look an extremely sound proposition to attract USM investors' enthusiasm.

Philip Coggan

Coffee grinds nearer quotas

THE CONTINUING slide in coffee prices is beginning to cause market analysts to reassess the prospects for the re-introduction of export quotas under the International Coffee Agreement.

A month ago, few saw much possibility of this. For various reasons neither producers nor consumers wanted quotas back just yet, they argued. Brazil, far and away the biggest producer, would not want to renegotiate its 30 per cent quota share in a year when its crop had been drastically reduced by drought; smaller producers were keen to maximise exports for a while longer so as to justify demands for bigger quotas; and consumers wanted the free-for-all to continue so that the real pattern of demand (hitherto masked by quota constraints) could emerge, enabling them to clarify their ideas on how quotas should be re-allocated.

The US position was seen as being somewhat equivocal. For political reasons it would have liked to see changes in the quota system to benefit its Caribbean neighbours; but set against that was its well-known distaste for commodity agreements which sought to prop up prices by restricting supply.

The subsequent price slide, which has wiped nearly £300 off nearby positions on the London coffee futures market, is unlikely to have changed consumers' positions significantly but some analysts feel that it might have tipped the balance for producers, particularly the bigger ones.

Quotas were suspended nearly a year ago, after supply fears caused by Brazil's long 1985 drought had pushed the International Coffee Organisation's 15-day average indicator price through a predetermined trigger level. Shortly before Christmas the indicator price fell back through the trigger level for the reintroduction of quotas, but they cannot be reimposed until a global quota for 1987 and its distribution among exporting countries have been negotiated by exporting and importing members of the pact.

A full ICO Executive Board meeting is scheduled for February 2-4, after a meeting of exporting members on January 28-30. The exporters' meeting is likely to give the first clear indication of Brazil's position, which could be the key to quota prospects.

Bronwyn Curtis, coffee analyst with Landell Mills Commodities Studies, believes Brazil might now want quotas back. "They cannot come back before April and by then Brazil's new crop year will be beginning," she points out. With Brazilian stocks already much higher than had been expected, after a period of withdrawal from the market, that means the dominant world supplier will be less vulnerable to calls for a substantial cut in its quota share.

If the ICO meetings do give a signal that quotas are on their way back, what will be the implications for the market?

The return of quotas could be "a double-edged sword," warns Mark Dumas of E. D. & F. Man, the London trade house. "While the knowledge that they are returning might encourage

Resources

coffee roasters to extend their forward cover, it could also accelerate selling by the smaller producers, "pushing prices down further in the short term.

In the longer term, however, they would be almost certain to steady prices.

The present depression in the coffee market is due, to a significant extent, to serious miscalculations on the part of the Brazilian Coffee Institute (IBC), which, until recently, determined the country's export policy and now operates the policy set by the newly-formed National Coffee Policy Council (NCPC).

Having seen about half of the country's prospective 1986 crop destroyed by the 1985 drought, the IBC expected (along with many others in the coffee trade) that a serious shortage of mild coffee would develop in the final quarter of last year. When prices subsided from the January 1986 peaks Institute officials were not greatly concerned, and instead of stepping up their marketing efforts they actually tried to support prices by buying on the London market.

"They thought they'd have the market by the throat when the October-December squeeze arrived," says Ms Curtis.

But the squeeze did not arrive. "Manufacturers had made other arrangements to cover the mild coffee supplies they could not get from Brazil," Ms Curtis explains. And she suspects that they used more of the coarser robusta type in their blends. In addition the high prices of early 1986 had pushed consumption down more than had been anticipated.

Meanwhile, in the policy vacuum attending the hand-over of power from the IBC to the NPC, Brazilian coffee exports ground to a virtual halt.

That halt ended a little over a week ago when the NCPC announced the reopening of export registrations at prices rather lower than it would have liked but which traders thought "realistic." Realistic or not, they have so far failed to attract the sort of buying interest the Brazilians were hoping for and so far, January registrations have reached only about 450,000 bags (60 kg each), a poor performance considering Brazil's protracted absence from the market.

With Brazilian supplies assured, new crops coming in from Central America and African shipments due to start next month "roasters are feeling pretty comfortable," Ms Curtis says. And with sentiment weighed down further by the suspicion that the Brazilians may yet unload the 500,000 tonnes of robusta coffee they still hold in Europe back on to the London market, London's second futures position has slumped by another £110 since Brazil reopened exports.

Prices are now down to about half the level which raised producers' hopes to false heights a year ago. Although they will not be looking for a return to that level producers would dearly like to see an upturn in the market—as things stand, export quotas offer just about their only hope of achieving that.

Richard Mooney

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £m's**	Bidder
	Prices in pence unless otherwise indicated				
Baker Perkins	346½	347	355	138.19	APV
Barrow Hepburn	52½	63	42	17.28	Yule Catto
Berkeley Expln	74	63	56	17.99	Clyde Pet
Berkeley Expln	64*§	63	58	15.62	Ranger Oil
Bryant Hldgs	200	180	163	202.62	Eng China Clays
Bulmer & Lumb¶	135*§	136	122	11.62	Allied Textile
Crouch (Derek)¶	251½	221	218	31.32	Ryan Intl
Crusts	141	141	100	8.21	Kennedy Brookes
Dataserv	200	195	200	65.79	Bell South Corp
Dialene	289*	280	260	11.01	Bunzl
Exco Intl¶	299§§	300	203‡‡	699.84	Brit & Comm
Equipu	263‡§	253	122‡‡	20.01	Sketchley
European Ferries	129§§	123½	231	209.28	P & O
Feb Intl	156	155	108‡‡	2.70	Tarmac
Feb Intl A	105½	105	78‡‡	5.39	Tarmac
Fogarty	157½	160	97	29.31	Coloroll
Fothergill Harvey	225*§§	258	178	28.23	Courtaulds
Gates (F. G.)	120*	122	114	10.08	Giltrap Hldgs
Goldsmiths Grp	270§	266	264	40.91	Oriflame
Grosvenor Group	125*§	128	120	7.79	BBA Group
Grosvenor Group	135†§	128	125	8.41	Hollis
Henera	70*	69	57	8.04	Warner-Lambert
Hwrd & Wyndhm¶	15*§	16	20	2.74	Intermediate Secs
Lond & Nthn Grp	81½	78½	71½	90.11	Demerger Two
McCorquodale	310§	287	258	159.05	Norton Opax
Pilkington Bros	552§ §§	715	530	1,176bn	BTR
Restmor	166	160	117	17.14	BSG Intl
Simon Eng	325§§	303	268	200.28	Valuedale
Snowdon & Bridge	198	179	145	12.99	Fitch Lovell
Supra Group¶	94½	93	73	15.37	Evode Group
Utd Tst & Credit	540§	485	470	13.25	Somportex
Wedgwood	569	556	423	258.25	Waterford Glass
Wold¶	42	43	46	9.09	Freshbake Foods
Whitworth Elect	148	140	94	5.79	STC

* All cash offer. † Cash alternative. ‡ Partial bid. § For capital not already held. ¶ Unconditional. ** Based on 2.30 pm prices 16/1/87. †† At suspension. §§ Shares and cash. ¶¶ Related to NAV to be determined. ║ Loan stock. ‡‡ Suspended.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Acatos & Hutch	Sept	7,250	(4,030)	15.3	(10.4)	5.75	(—)
Ace Belmont	Aug	1,290	(56)	29.5	(—)	—	(—)
Barr, A. G.	Oct	4,470	(3,200)	46.7	(35.6)	11.0	(8.45)
Dewhurst	Sept	352	(403)	3.5	(4.4)	1.2	(1.05)
Eurotherm Intnl	Oct	9,360	(9,020)	19.3	(19.7)	5.0	(4.75)
Hawtin	Sept	356	(1,250)	0.6	(1.3)	0.38	(0.33)
Hunterprint	Sept	3,210	(2,390)	20.1	(25.5)	—	(—)
Lon & Clydeside	Sept	1,740	(1,650)	—	(—)	5.7	(3.6)
Lon Scot Fin	Oct	2,140	(1,813)	6.5	(5.6)	3.0	(2.4)
Lowe, Robert H.	Oct	528	(251)	16.0	(7.8)	1.7	(—)
Newman Tonks	Oct	8,270	(6,520)	1.2	(1.3)	7.2	(5.5)
Oakwood Group	Sept	155	(204)	4.2	(7.2)	4.0	(5.0)
Sturge Hldgs	Sept	9,500	(7,360)	20.8	(14.9)	5.0	(4.0)
THF	Oct	136,000	(96,000)	—	(—)	6.0	(5.45)
Trilion	Sept	926	(734)	6.2	(6.9)	0.7	(0.3)
TSB Channel Isl	Nov	5,460	(3,950)	—	(—)	—	(—)
TV South	Oct	14,400	(8,900)	32.6	(20.3)	10.0	(8.0)
Wheway	Oct	1,450	(83)	—	(—)	0.5	(—)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Armour Trust	Oct	575	(304)	—	(—)
ASDA-MFI	Nov	86,100	(76,400)	1.37	(1.25)
Banks, Sidney C.	Oct	1,410	(1,210)	4.0	(3.5)
Bespak	Oct	759	(56)	1.75	(1.75)
Black, Peter	Nov	3,300	(3,030)	0.51	(0.47)
Blair, George	Sept	272	(253)	1.15	(—)
CAP Group	Oct	2,170	(1,240)	—	(—)
Celtic Haven	Sept	225	(98)	0.25	(0.25)
Dalepak Foods	Oct	614	(432)	0.5	(—)
Dixons Group	Nov	40,500	(30,100)	1.2	(0.58)
Ellis & Everard	Oct	3,320	(1,970)	2.5	(2.27)
First Sec Group	Oct	703	(400)	1.5	(1.2)
Gnome Photo	Sept	230	(213)	—	(—)
Howden Group	Oct	1,520	(4,190)	1.28	(0.9)
Jones Stroud	Sept	2,230	(2,020)	3.5	(3.0)
Kenton Secs	Sept	409	(358)	4.0	(3.4)
Multitone Elect	Sept	235L	(775)L	—	(—)
Norbain Elect	Oct	399L	(333)	—	(—)
Parkfield Group	Oct	2,639	(2,000)	1.0	(0.48)
Ratners	Oct	2,340	(155)	1.0	(0.75)
Shield Group	Sept	475	(631)	1.0	(—)
Stead & Simpson	Sept	2,040	(2,220)	1.2	(1.1)
Tomkins, F. H.	Nov	9,270	(—)	1.3	(1.0)
Wyko Group	Oct	904	(1,010)	1.1	(1.1)

(Figures in parentheses are for the corresponding period.)
* Dividends are shown net pence per share, except where otherwise indicated. L Loss.

OFFERS FOR SALE PLACINGS AND INTRODUCTIONS

Viking Packaging—Placing 3.2m shares at 130p.

Swedish freefall

THE SWEDES have spent the last few days contemplating history and drawing somewhat tentative parallels between the current stock market situation and the dramatic events of the Kreuger crash in 1932.

Ivar Kreuger (1880-1932) was the Swedish financier who, by 1928 had control of half the world's match production, a position he achieved by offering loans to governments in exchange for a monopoly of the match business. When he encountered financial difficulties he took to falsifying government securities, though this only came to light after his suicide in 1932 and the collapse of his business empire.

There are two reasons for drawing parallels. For a start, in the first two weeks of January, the only thing that seemed to be falling faster than the mercury in Swedish thermometers was the stock market, prompting commentators to describe it as the worst freefall since the stockmarket crash after Kreuger's suicide.

The other reason concerns Fermenta, the troubled antibiotics and animal health company which, to nobody's surprise, was expelled from the stock exchange on Thursday for a never-ending saga of misdemeanours. Rather unkind parallels have been drawn between Mr Kreuger, who falsified securities, and Mr Refaat El-Sayed, the former chief executive and dominant force behind Fermenta, who is charged with boosting the company's profits with loans. Having been de-listed, Fermenta now faces a prolonged police investigation.

So 1987 started badly. By Thursday, the Veckans Affaerer Index had fallen 13 per cent since the beginning of the year, with a 3.2 per cent drop in one day — Wednesday this week — to 792.4. This is the first time it has slipped below 800 since May 1986, throwing the market into a state of Strindbergian gloom.

The Swedes have even started talking of "an end to the bull market" which has run since 1980, with a fallback in 1984.

Stockholm

Last year the Stockholm bourse surged ahead and turned in a year-end rise of 51 per cent, reaching an al-time high on November 12 with the Veckans Affaerer Index at 961.5.

The banks, trading, real estate/construction, and forestry sectors performed particularly well in 1986. If times have changed, the Swedes have Kjell-Olof Feldt, the finance minister, partly to blame. He presented his budget on Monday January 12, but unlike Nigel Lawson, he does not keep it tucked away in a shabby old briefcase, and it leaked out a week early giving the markets time to react despondently.

The Swedes managed to eke a double dose of gloom out of this: once on the basis of the leaks, and a second time when the real thing appeared and they found that, yes, indeed Mr Feldt was offering a weak budget with no sign of clamping down on private consumption.

Interest rates on long-term bonds, such as the Government's benchmark five-year bonds, have risen by over 1 per cent, from 10.63 to 11.88 per cent since the end of December, while short-term rates have risen 0.6 per cent to 10 per cent.

"The alternative to a strong budget was for the Central Bank to hike up the interest rate, so the market saw good reason to force up interest rates, putting a downward pressure on equities," according to one broker.

What Mr Feldt has presented is not the tight fiscal budget that they thought he had promised last autumn. As late as November, he was chiding the nation and telling them that private consumption was moving too fast.

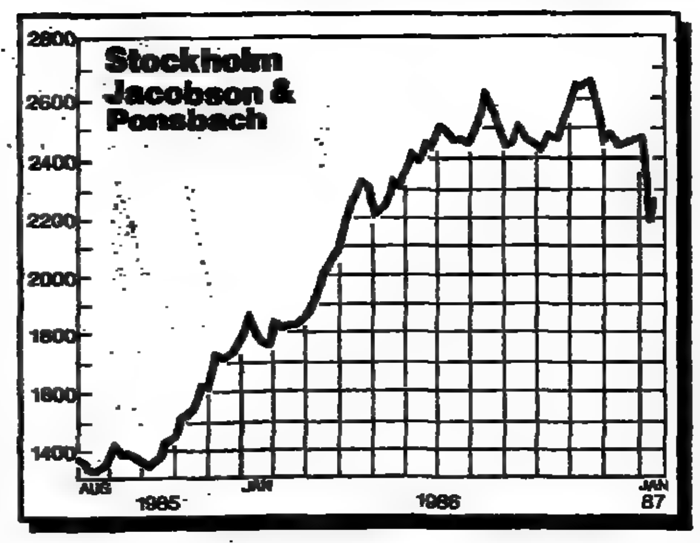
The Government's particular worry is inflation — it is forecasting an average annual inflation rate in 1987 of 4 per cent, while most of the other economic forecasters predict 5-6 per cent and dismiss the Government's figure as "unfounded optimism."

Meanwhile, the Government did its best to keep inflation down in 1986, and "cooked the books" by postponing food price increases from November 1986 to July 1987. If the figures due out show that inflation at the end of 1986 topped 3.2 per cent, the public and private sector unions have the right to renegotiate their two-year agreements, promising further friction in the labour market.

"While the economic picture does not give the impression of a stimulating time for equities, what could help the market is liquidity and there seems to be plenty of that," is how another broker sees 1987.

In the meantime, the market saw what amounted to panic-selling by the small investors earlier this week. The steepest fall came on Wednesday, aided and abetted by fears that the central bank would raise the discount rate. It didn't.

Sara Webb



Post-crash free for all

MEXICO'S volatile stock exchange has in the past year convincingly modified the local adage that "nobody ever lost money in Mexico by betting on dollars."

The quotation, from a senior finance ministry official who would prefer it were otherwise, enjoys wide currency and remains true. But it is incomplete, now that the small but growing stock market has demonstrated it can offer jittery, crisis-attuned investors a far higher return in dollar terms as well as in local currency values.

In 1986 the Mexico City market's 42-stock index rose by over 300 per cent, breaking all previous records. It has heavily outperformed inflation (currently running at an annualised 106 per cent) and the dollar.

And the market has now demonstrated this sort of vigour in four straight years. At the end of 1982, after Mexico's financial crash (which brought with in nationalisation, of the banks, the forceable conversion of $14bn in locally held dollar accounts into devalued pesos and capital flight in that year of perhaps $12bn) the index had plummeted to 676.

Yet in 1983 it jumped 262 per cent. In 1984 it rose 65 per cent (above that year's inflation). Last year is was one of the top performing world stock markets with a rise of over 30 per cent

Put another way, a peso in January 1 1983, kept as a peso, would by now have lost five times its value against inflation. Invested in dollars it would have appreciated nearly six times. But invested in the stock market and using the index as a rough guide, it would now be worth 11 times more in dollar terms.

What is less clear is why the market, which some analysts see as perverse, should have chosen last year, to make it game, set and match against the dollar.

Inflation and domestic interest rates have reached record levels, fuelling fears of hyper-inflation while the budget deficit last year will be nearly 17 per cent of GDP.

But on the other side of the macro-economic balance sheet, there were plusses, all of them in the second half of 1986. In July Mexico reached agreement with the IMF after acrimonious negotiations. The deal was pegged to 3-4 per cent growth in 1987-1988.

No amount of optimism however stops corporate planners from writing in inflation pro-

Mexico

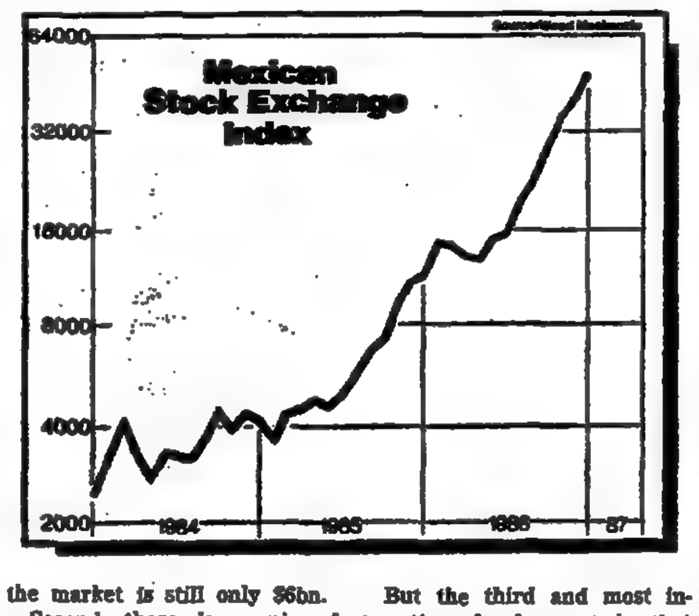
jections for 1987 above 150 per cent, double the official estimate.

Firstly, equity assets remain cheap in dollar terms. Despite the revaluation of stock of the last four years the price/net worth ratio is still 60 per cent, an indeed the total value of the market is still only $6bn.

Second, there is a mix of good performers. The retail chain Aurrera (renamed Cifra) bought back a minority stake held by Jewel Tea Company of the US and saw its stock rise 288 per cent, a reward for low gearing and well managed cash flow.

But the third and most interesting development is that the market has broadened and simultaneously begun to acquire a personality. Estimated investors in the market have doubled to 200,000 since 1982.

David Gardner



Another week of records

IT HAS been another week for the record books on Wall Street as investors have piled into common stock leaving the professional market watchers trying to explain the reasons for the New Year buying stampede and nervously reminding clients that some sort of correction is long overdue.

The stock market's meteoric climb began on the first day of the New Year and by Thursday evening the Dow Jones Industrial Average had put on almost 175 points in 10 consecutive trading sessions which the market historians noted was the longest and most productive winning streak in 14 years. Having risen by 22.58 per cent in 1986, the Dow had risen by another 9.2 per cent by Thursday evening and the Nasdaq composite index of over-the-counter stocks, which had risen by a meagre 7.36 per cent last year, had zoomed up by 12.5 per cent in the first 10 days of 1987.

Trading volume has been very heavy and on Thursday the New York Stock Exchange traded a record 253.1m shares topping the $10bn mark for daily trading volume. In terms of numbers of shares traded the five most active stocks on Thursday were Navistar, Pan-Am, National Semiconductor, Pepsico and IBM but in terms of value of shares traded, which gives a better guide to where the big money is going, the five most active issues were Digital Equipment, where $301m of shares were traded, followed by IBM, General Electric, Ford Motor and Hewlett Packard.

The performance of individual shares has differed greatly in the opening days of 1987. Among the Dow stocks the star performers have been unlikely candidates like the old International Harvester group now renamed Navistar whose shares have risen by 26 per cent since the end of 1986, the lossmaking Bethlehem Steel (plus 24 per cent), Du Pont (plus 15.4 per cent) and Chevron (plus 15.7 per cent).

The big exception has been IBM, the most highly capitalised share on the stock market. Its shares ended 1986 at $120 and at one stage this week dipped to $118½ before recovering to just below $120 by yesterday morning. To rub salt into the wounds of "big blues" faithful followers IBM was trading at $122 at the end of 1983 since when the Dow has risen by over 800 points or close to two-thirds.

IBM reports its 1986 results next Tuesday and by all accounts they are going to be bad. Analysts are estimating that fourth quarter earnings will drop to $2.85 per share compared with $4.36 last year and for the full year the bears, of which there are an increasing number, are talking of $8 per share, compared with $10.67 in 1985. For years IBM could do no wrong in the eyes

Wall Street

of the investment community. Now analysts are focussing on its top-heavy cost structure; the competition from some of its smaller rivals such as Digital Equipment, which reported a near doubling in its second quarter earnings this week; and sagging demand for its big mainframe computers in the coming year.

For the first time in a long time IBM is selling at a discount to the market and this is why the depleted herd of IBM's faithful "bulls" still remains loyal. The company is paying an annual dividend of $4.40 a share which means that it is currently yielding a half percentage point more than the 3.2 per cent average and even assuming that the company earned no more than $8 per share in 1986, the company is on a much less demanding multiple than the 17.72 for the Standard and Poor's 500.

For the moment Wall Street is ignoring IBM and investment funds which might normally have been channelled into IBM as a proxy for the "high tech" sector have been poured into smaller capitalised stocks of which Digital Equipment, whose shares have soared by more than a quarter in the first ten days of 1986, is the current favourite. Unlike IBM, Digital is not paying a dividend and is selling at 24 times earnings.

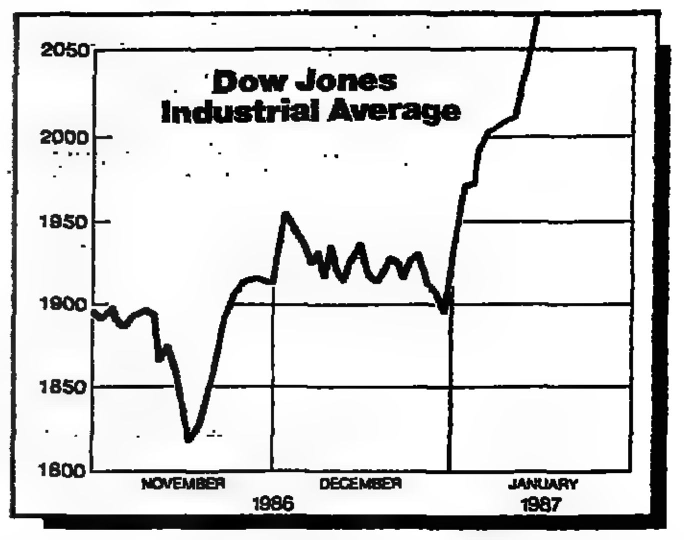
The first results of the 1986 reporting season have begun to trickle out this week and the first indications are that it has not only been Digital Equipment which has been reporting better-than-expected earnings. General Electric, one of the biggest and best-managed US industrial "blue chip" stocks increased its final quarter earnings by 14 per cent and for the full year raised its net income per share by 9 per cent to $5.46. J. P. Morgan, often regarded as the best managed US money centre bank, increased its 1986 net income by 21 per cent to $4.74 per share and International Paper, an old established member ofthe Dow Jones Industrial Average earned $5.79 per share in 1986

International Paper is one of several well known companies which is being helped greatly by the slide in the value of the US dollar, which hit a six-year low against the D Mark, much to the irritation of America's major trading partners. The weakness in the dollar has had remarkably little impact on the US bond market but nevertheles it being cited as one of the factors behind the strength of the equity markets.

How much further does the current rally have to run? This is the big question which few dare answer at the moment. For what it is worth Michael Metz, Oppenheimer and Company's stock market strategist, believesthat all of the stockmarket's current upside potential will be seen in the first quarter of 1987

MONDAY 2009.42 + 3.51.
TUESDAY 2012.94 + 3.52.
WEDNESDAY 2035.01 + 22.07
THURSDAY 2070.73 + 35.72

William Hall



Slick Scheme

ONE PROBLEM with Personal Equity Plans is that virtually all the schemes offered have been on a discretionary basis, with the plan manager choosing your investment in shares and/or unit trusts.

More sophisticated investors, however, with an established portfolio of shares see the PEP scheme as an opportunity to take advantage of the tax-free concession to "punt" in the share or shares of their choice, which may be a bit of a gamble yielding a high income or a handsome capital gain. Pointon York, admittedly with their tongues in the cheek, according to its chairman Geoffrey Pointon, have decided to cater for the more wealthy "punter" with their City Slicker PEP scheme launched this week. The attractions are that there are no restrictions on which share you choose to invest in or when you want to deal.

The disadvantage is that the costs can be fairly high for the privilege of trading freely just to gain the tax-free concessions. You pay an initial charge of 1 per cent of your investment (subject to a minimum of £30 plus VAT) and in addition a dealing commission of 0.75 per cent per bargain with a minimum of £10. It would make sense, therefore, to keep the number of dealings to a minimum possibly to a single share you favour.

For the poorer, or more cautious, investor Pointon York are offering an alternative scheme, Hi-Yield PEP. This is a discretionary plan, with an investment policy of concentrating in a small group of leading companies paying high dividends. The argument is that the main benefit to smaller investors using PEP is the tax-free income, rather than the capital gains tax concessions bearing in mind the £6,300 annual exemption, so it makes sense to concentrate on income producing rather than capital growth stocks.

In keeping with its safety first approach, the Hi-Yield portfolio will put the maximum permitted amount into unit trusts with a high income yield, and Pointon York claim their independent position will enable them to have freedom of choice in selecting the best performing income trust. However, they are imposing the same basic 1 per cent charge (with the high minimum of £30) plus 0.75 per cent dealing costs for the Hi-Yield Plan so there could be an element of double charging on the unit trust content.

For both schemes the minimum investment is £1,200.

Mr Pointon is keenest on his group's third alternative PEP scheme, the CoPEP aimed at company employees. Here the investment will be confined to the shares of the companies sponsoring the scheme and bearing the bulk of the administrative costs.

Income to invest

BUILDING societies planning to offer financial services have a major problem—how to preserve their image for risk-free investment while at the same time promoting the purchase of shares, which can go up or down in value.

Cheltenham & Gloucester Building Society this week announced their solution to the problem with the launch of the Cheltenham Security and Growth Plan. Under the plan the minimum investment of £5,000 is put into the society's high interest account, and the monthly income generated is used to purchase automatically units in a UK Growth Trust, managed by Gartmore Fund Managers, the investment group.

If you put in over £5,000 you can choose to put all the money in the high interest account, or alternatively put the excess over £5,000 directly into the unit trust. Additional lump sums can be invested in a similar way, or you can switch investments between the two parts of the plan should the UK equity markets lose ground.

A passbook is issued recording all the transactions made under the plan, including the balance held in the account and the size of the unit holding. You can buy or sell units instantly across the counter at any of the Society's 165 branches and you can make instant withdrawals from the high interest element of the plan.

There is a lower than normal initial charge for the unit trust of 4 per cent and an annual management fee of 1 per cent. If you decide to buy units with part of your initial investment you can take advantage of a fixed price offer of 25p a unit until February 6.

Dealing service

SPENCER THORNTON, the stockbroking subsidiary of the Fredericks Place Group, has introduced a sharedealing service specifically aimed at individual private clients. Called Spencercall, it offers low commission rates for investors merely wanting to deal and not requiring any advice. Basic commission rate is 1 per cent, with a minimum of £12 per bargain, maximum of £100. There is no charge for purchases of unit trusts, but a half per cent fee (with a minimum of £10) on sales.

Like similar schemes already introduced by several of the larger stockbrokers, Spencercall clients are issued with a card which carries a personal account number and a telephone number giving direct access to specialist dealers operating the service.

You are quoted a price for any transaction requested off the screen and the brokers will deal only at this price or cheaper. They will refer back to you if the price is higher. Each client is given an agreed credit limit, which cannot be exceeded. Dealing is confined to UK securities quoted on the Stock Exchange, and to authorised unit trusts.

•

WOOLWICH Building Society is lifting some of the interest rates it pays on its instant access Prime Account. For balances over £5,000 the rate goes up by 0.25 per cent to 8.50 per cent; above £10,000 by 0.20 to 8.75; and above £30,000 by 0.45 to 9 per cent.

The increases reflect fierce competition amongst building societies to attract investment funds.

Alliance & Leicester have also raised the interest rate it is paying on its instant access Gold Plus account by 0.2 to 8.6 per cent on balances of between £2,500 and £10,000.

John Edwards

Philip Coggan pinpoints some BES concerns

Prospectus rebuked

BUSINESS Expansion Scheme issues often attract harsh criticism. Nowhere was this better illustrated than in a report from BES Investment Research this week, which sharply criticised a BES prospectus as having a "total disregard to a number of the mandatory requirements of the Companies Act 1985."

The prospectus was issued by Kephasian Leisure which hoped to raise £2.5m via the issue of 5m ordinary shares at 50p each. Kephasian planned to use the money to buy a public house, the Cartwright Arms, from Michael Down, the company's chairman and managing director, and two of his family and use it as a base to expand into hotels, nightclubs and discotheques.

The commercial background seemed rather flimsy. The Cartwright Arms had made net profits in the year ending September 1985 of only £5,850 on turnover of £150,000. Even those profits were down from the previous year's £15,000. From there, the company was forecasting that the year ending December 31 1987 would produce profits of £275,600 on turnover of £2.35m.

What alarmed Steven Rowe of BES Investment Research was what he saw as three breaches of the Companies Act. The first related to the exclusion of a goodwill estimate in the price of the Cartwright Arms, which Kephasian planned to buy from the Down family. The second concerned the lack of statements of consent from experts which should have endorsed or been attached to the prospectus. The third centred around the need to send all prospectuses to the Registrar of Companies, which Mr Rowe believed had not occurred. These exclusions, in Mr Rowe's view, breached Schedule 3, Section 61 and Section 64 of the Act.

For the sponsors Capital Matchmaker, Ralph Fagan disputed Mr Rowe's interpretations of the law in the first two instances and said that the prospectus had indeed been sent to the Registrar. However, a DTI official said that they "have no record of having received a prospectus."

Away from the hurly-burly of the Kephasian issue, which incidentally opened for subscription in December, the pace of BES issues has started to accelerate as the Budget grows ever nearer. Schemes which start before the Budget will allow investors to qualify for tax relief in 1987-88.

Last year's Budget restricted the type of BES scheme which can be offered to investors. No more than half the net assets of a BES-funded company can be tied up in land and buildings. "The legislation was designed to prevent the inclusion of rock-solid, asset-backed property companies" explains Kevin Barker of leading BES sponsors Johnson Fry. Instead, the Government was hoping to encourage the sponsoring of the more risky, entrepreneurial ventures for which the BES was originally designed.

LATEST BES ISSUES

Company	Minimum application	Share price	Target to be raised
Inn-Trade	1,000 shares	60p	£875,000
Gladding	500 shares	£1.15p	£10m
Peter Ling	2,500 shares	£1	£5m

Although there remains a loophole for property companies, if they gear up via higher borrowings, the stream of hotel, restaurant and property issues has diminished. Instead in the latest batch of offerings, building companies have come to the fore.

The biggest issue is that of Gladding Secured Contractors, which hopes to raise £10m by the issue of 8.7m ordinary shares at £1.15 each. Gladding has already tapped BES investors for £5m during the 1985-86 tax year. That issue, which was also sponsored by Chancery Securities, was over-subscribed. Gladding made pre-tax profits of £134,000 in its first year's trading, although this was entirely due to the interest earned on the funds raised in its first BES offer. It has an existing order book of £5.4m with contracts worth £8.6m under negotiation.

Austin Horn Associates is sponsoring an issue by Peter Ling Design and Build of up to 5m ordinary shares of £1 each at par value. Ling operates in London and the South East and is a spin-off from an old established building contractor.

The company instructs its own architects so that it can offer clients a complete design-and-build contract with resultant time savings in the building programme and higher margins for Ling itself. All contracts are negotiated directly, not by competitive tendering and Ling offers clients deferred payment terms, securing fees and monies owed on land and buildings or other guarantees. To date, the company has won only one contract, worth £286,000 but it has letters of intent on projects to the value of £742,000 and is negotiating a further £2.48m of work.

Ling's prospectus shows the effect of the new asset regulations. The company intends to get involved in property development but takes care to spell out that no more than 35 per cent of its net assets will be devoted to the activity.

A more unusual issue comes from Inn Trade Associates, run by Keith Parsons and David Clarke, managing director and deputy managing director respectively. Mr Clarke has run his own business as a licensed property valuer and stocktaker since 1969 and Mr Parsons has 19 years experience in multiple site management at Grand Metropolitan. Together, they have built a group of companies which offer a comprehensive range of management services for the licensed trade.

Being a pub landlord is a complex business these days and Inn Trade acts as a kind of Alfred Marks employment agency for publicans, finding suitable tenants for major brewers. It also manages public houses itself as a temporary tenant, which allows scope to give training to aspiring landlords.

Inn Trade made pre-tax profits of £156,000 in the year to September 30, 1986 and is making a "profits projection" for this financial year of £272,000 on turnover of £5.7m. Its offer, sponsored by Guidehouse Securities, is for 1.46m ordinary shares at 60p each.

To complete the round-up, two funds have closed having reached their targets—Gresham Trust's Buy-out Fund and Land & Urban (Development and Secured Construction), sponsored by Chancery Securities.

Nikki Tait offers some private guidance

Choose your charge

BIG BANG may be a fast-fading nightmare as far as market operators are concerned. For private share investors it is a swiftly-approaching reality.

The abolition of fixed commission rates opened the way for a flood of cheaper "no-frills" dealing services. For share investors prepared to do their own homework, these looked—and indeed are—good news.

But somehow the spotlight managed to avoid the plight of discretionary, even advisory, clients seeking a helping hand from their stockbrokers. If they are not already paying higher overall charges for the investment service, there is a good chance that a future increase is somewhere on the way.

The big City firms have led the move to new charging structures but second-line brokers are now edging in the same direction. "We're talking about changes at the moment," says Peter Thomas, head of the private client department at L. Messel.

"It will change—probably in mid-1987—when we will look for a common rate with Hill Samuel," comments Robert White at Wood Mackenzie, now part of the Hill Samuel Group.

Round at Capel Cure Myers, the bad news is due to arrive even more swiftly—probably by April.

Even Quilter Goodison, which introduced a three-tier commission-rate structure in October, will not rule out the possibility of adding fixed fees on top.

So what do private clients seeking some advice have to look forward to? If the trend set by the larger firms is any guide, they will find the actual commission rates at which they can deal largely unchanged from pre-Big Bang days. However, the added imposition of fixed fees will mean wide discrepancies in total cost depending on whose services they buy.

Not only that. Some firms now add fees for discretionary clients, others charge for an advisory service. And increasingly clients will be forced to choose between a fixed flat fee, or one where any commission generated beyond a certain level can be used to offset the flat charge.

Confused? Then take a look at three of the biggest London firms—Hoare Govett, Phillips and Drew, and BZW—which have already made the charging adjustments. The actual commission rates are broadly similar in each case (see table), but the fee structures are like chalk, cheese and champagne.

Hoare Govett offers the simplest structure. On its discretionary service—minimum portfolio £40,000—there is no additional charge, not even for portfolio valuations. "In generating a normal amount of business, we can earn the proper amount on an account," argue the brokers. "It takes a lot less time than an advisory account—for example, if we're offered a line of stock at a good price we can deal on discretionary accounts but not advisory."

For advisory clients, with a similar minimum, running a single account costs a flat fee *of £75 per half year*. Additional family accounts cost £25.

COMMISSION SCALES POST BIG-BANG

Hoare Govett	
Up to £7,000	1.65 per cent
Up to £25,000......	0.5 per cent
Up to £250,000 ...	0.35 per cent
BZW	
Up to £7,000	1.65 per cent
Up to £15,000......	0.55 per cent
Up to £100,000 ...	0.5 per cent
Phillips and Drew	
Up to £7,000	1.65 per cent
Up to £15,000......	0.55 per cent
Up to £115,000 ...	0.5 per cent

At BZW—basically the old de Zoete private client business—there is a similar bias in favour of discretionary clients. Here, though, the charge is based on the value of the portfolio: 0.8 per cent up to £200,000 (the minimum is £100,000), 0.4 per cent up to £300,000 and 0.3 per cent up to £500,000. Over that, you can negotiate.

But advisory clients do not escape. They pay 0.6 per cent up to £200,000, 0.5 per cent up to £300,000 and 0.4 per cent up to £500,000. In both cases, there is a minimum of £600.

Phillips & Drew is the most innovative. Here, the position is reversed. Advisory clients simply pay commission, though purchase orders must normally exceed £3,000. Discretionary clients have a choice: they can opt between a flat fee of 0.75 per cent on the first £500,000 of portfolio value, and 0.5 per cent on the next £500,000 with *no* commission charge. Or they can pay commission only, with the proviso that if the commission payments work out at less than three-quarters of what the fixed fee would have been, they top up to that level.

According to Peter Harrison, head of P&D private clients' department, some 25 per cent of clients have taken the former route, around 65 per cent the latter, and something under 10 per cent have said they dislike both.

In short, as a chunky discretionary client with a £100,000 portfolio, you could pay commissions-only; £600 plus commissions; £750 only; or you could take a chance on your commission volume knowing that you would have to cough up at least £560. As an advisory client you could pay anything from commission-only to £600 plus commission.

And that is just picking between three firms of roughly equal reputation. Private clients, who are used to having a particular broker hold their hand, are something of a captive audience. But as more and more firms adjust their charges, the case for researching just what quality of investment service you are getting must become stronger.

Of course, not everyone is set on the fixed fee route. The Allied Provincial Group, for example, which incorporates eight firms of regional brokers, says it is quite content with commission only. And with the growing availability of "no-frills" dealing and the use of home computers to keep folio records, the DIY approach may also become increasingly attractive.

But if you are one of those who does want advice, don't stump up your brokers' fee without at least pausing for thought.

FINANCE & THE FAMILY

Canadian Imperial Bank of Commerce beat the freeze this week by bringing in key staff by helicopter. Roland Williams, CIBC Mortgages managing director (pictured centre), worried by possible delays in mortgages being put through, arranged for Trevor McVeigh, credit services manager (left) and Duncan Alexander, credit manager, to be picked up from snowbound Essex and brought to the Battersea heliport

Cold comforters

THE ICY blasts of last week's freeze will be severely felt in the centrally-heated boardrooms of the insurance companies. The arctic conditions of the winter of 1981-82 cost them £308m in severe weather claims, and 1987 could well match this total.

Heavy snow and freezing conditions in the first instance means burst pipes and split water tanks—damage that is exacerbated by the antiquated water systems in many houses. While damage from split tanks occurs immediately, the main damage from burst pipes will not come till the thaw. So before their branch offices are hit by the avalanche of claims the insurance companies are advising householders on how to minimise the damage.

A leaflet from the Association of British Insurers entitled "Watch Out For Winter" not only sets out preventive measures but gives householders advice on what to do if disaster strikes. These range from practical measures to how to make a claim on the insurance company.

The main points are:

● You should take your own measures to deal immediately with the damage. Above all do not use direct heat in unthawing a pipe;

● Call in the plumber, electrician and/or builder for at least temporary repairs to be made as soon as possible. Water leaking from a burst pipe has a tendency to drip down electrical wires and circuits;

● Assess what items are salvagable, carpets, curtains and furniture may just need drying out. Get this done as soon as practicable. The cost is covered by insurance;

● You should inform the insurance company or companies as soon as possible of a pending claim. You should not wait to calculate the final cost;

● You should make a list of items destroyed and ascertain the replacement cost; and

● You should wait till the building is completely dried out before re-laying carpets and having the house redecorated. The cost of redecoration of rooms affected is again covered by the insurance.

With four successive severe winters behind them—and five out of the last six—insurance companies have learnt by experience how to deal with claims quickly, by opening branches at weekends and drafting in extra staff. Branch offices usually set limits on claims which they can handle and pay out themselves on the claims submitted by householders without any further work. If the claim is reasonable the office will pay on the spot. They will also make interim payments so that householders can settle each bill as it arrives, before everything is completed.

However, householders hit by burst pipes may find that the plumbing fraternity is not geared up to handle the spate of work so quickly. It may take some time for a plumber to call to see what needs to be done and get down to doing it.

Water damage is covered under two household insurance policies: damage to ceilings, floors, electrical wiring and fittings in the house is covered by the building policy; damage to furniture, carpets and moveable items is covered by the contents policy. If householders have their building and their contents policies with different insurers then both must be informed of pending claims. It does pay to have both insurances with one company—the value of a combined house buildings/contents policy is evident at firms like these.

Some householders are reporting burst pipes outside their houses. The insurance policy usually covers damage to underground services supplying the building, where repairs are the legal responsibility of the householder. This usually means that pipes leading off the main water system are covered. Householders should check with their insurance company or adviser on this matter.

The problems multiply for householders where damage is extensive and they have to make very high claims. The insurance company would call in a loss adjustor and it would be handled at head office; the assessment of damages and a settlement of their claim will then take some time.

Householders with a major claim are well advised themselves to seek the services of a loss assessor. In most cases, the fee is worth paying if only because it removes the hassle of handling the claim.

If the house is rendered temporarily uninhabitable by the damage the insurance policy will cover the cost of suitable hotel accommodation until it is habitable.

Insurance companies are not so perturbed about the effect of Arctic weather on their motor insurance account. For every motorist caught in the snow there are several whose cars do not leave the garage. Accidental damage to a car caught in the snow—such as a burst radiator—is covered by a comprehensive policy, and this includes the cost of towing the car to a garage. But the policy will not cover the cost of simply getting a snowbound car started with garage help.

Insurance companies are keeping their fingers crossed that the thaw, when it comes, will be very gradual. A rapid thaw could result in severe flooding, particularly in low-lying districts. Householders in such districts should be ready to take such precautions as moving furniture upstairs.

Eric Short

Undercover, overseas

WARDLEY is the latest company seeking to cash in on the growing popularity of offshore "umbrella funds." The possibility of Labour winning the next election, and imposing controls on the movement of money, has already persuaded some investors that it might be worth putting at least something overseas, outside the sterling area, just in case.

At the same time the use of Luxembourg as a base, with a listing on the local Stock Exchange there, provides potential access to the whole of the European Community in good time for the harmonisation of legislation which will allow financial products to be offered throughout the EEC.

For the UK resident it can be more tax effective to invest money via an overseas "umbrella fund." Normally if you buy or sell a fund, you are liable to capital gains tax on the profits, so "switching" your portfolio around can be expensive. However if you invest in the shares of an "umbrella fund" you can ask the managers to convert your holdings from one sub-fund to another within the "umbrella" without incurring any tax liability. By operating in a tax haven like Luxembourg or the Channel Islands the performance of the fund is not diluted by tax provisions either.

So long as you stay under the "umbrella" you are all right. It is only when you come out by selling the "umbrella" holding that you become liable to pay tax. The fund intends to seek distributor status, so as to avoid the unfavourable tax treatment for UK residents investing in offshore "roll up" funds.

One of the features of the Wardley fund is that you are allowed to make at least six switches, or conversions, a calendar year free of any extra charges. Since switching or converting is not confined merely to changing single sub-funds, you can in effect realign your portfolio up to six years a year for nothing.

Alan Maidment

Another feature is that you have a choice of 16 sub-funds. There are eight equity, six bond and two money market funds. Somewhat unusually, no overall international equity fund is included—the eight are all specialist geographical funds covering all the world and, again unusually, including one for Canada as well as the main areas. Wardley argue that if someone wants an international fund they may as well as invest outside an "umbrella." The bond funds include an ECU fund in addition to the main currencies. You can buy and sell, and receive dividends and interest, within the fund in any currency and there is no double charging on re-investment.

Alan Maidment, managing director of Wardley Unit Trust Managers, admits that there is nothing particularly new in the concept of the group's Global Selection fund, with the idea having already been pioneered by such leaders as Gartmore, Guinness Mahon and Schroders.

But as a subsidiary of the Hongkong & Shanghai Banking Corporation, with offices in all the leading world financial centres, he feels they have improved a good idea in detail. Minimum investment is $10,000. There is a fixed price offer period from January 16 until February 24, with a 3 per cent bonus share offer for investment made before February 20. The initial charge of 5 per cent is included in the offer price with an annual management charge of 1 per cent for the equity and bond funds and 0.375 per cent for the money market funds.

If you want Wardlye to help formulate, and manage your portfolio, it must be worth at least $25,000 and is subject to a 1 per cent annual fee (minimum of $300) after the first year.

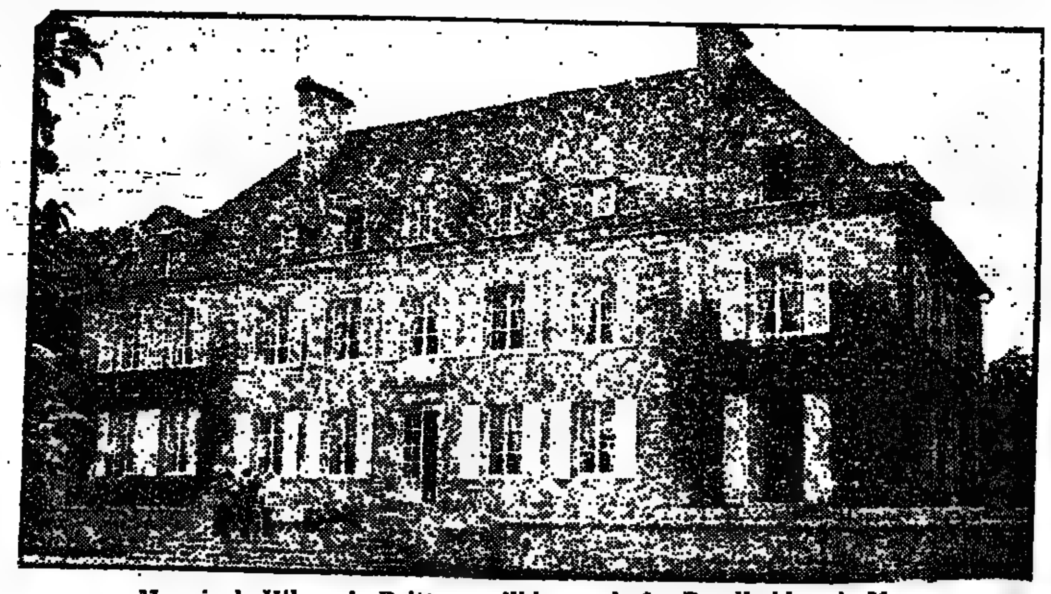
John Edwards

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 29%	45%	60%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawals (days)
CLEARING BANK*								
Deposit account	5.00	5.12	3.96	2.88	monthly	1	—	0-7
High interest cheque	7.70	7.93	6.14	4.46	quarterly	1	2,500 minimum	0
Three-month term	7.56	7.80	6.04	4.39	quarterly	1	2,500-25,000	90
BUILDING SOCIETY†								
Ordinary share	6.00	6.09	4.72	3.43	half yearly	1	1-250,000	0
High interest access	7.75	7.75	6.00	4.37	yearly	1	500 minimum	0
High interest access	8.00	8.00	6.20	4.51	yearly	1	2,000 minimum	0
High interest access	8.50	8.50	6.58	4.79	yearly	1	5,000 minimum	0
High interest access	8.75	8.75	6.78	4.93	yearly	1	10,000 minimum	0
90-day	8.75	8.94	6.93	5.04	half yearly	1	500-24,999	90
90-day	9.00	9.20	7.13	5.18	half yearly	1	25,000 minimum	90
NATIONAL SAVINGS								
Investment account	11.75	8.34	6.46	4.70	yearly	2	5-100,000	30
Income bonds	12.25	9.27	7.18	5.22	monthly	2	2,000-100,000	90
32nd Issue‡	8.75	8.75	8.75	8.75	not applicable	3	25-5,000	8
Yearly plan	8.84	8.84	8.84	8.84	not applicable	3	20-200/month	14
General extension	8.70	8.70	8.70	8.70	quarterly	3	—	8
MONEY MARKET ACCOUNTS								
Money Market Trust	7.82	7.97	6.17	4.49	half yearly	1	2,500 minimum	0
Schroder Wagg	7.48	7.74	6.00	4.36	monthly	1	2,500 minimum	0
Provincial Trust	8.22	8.54	6.61	4.81	monthly	1	1,000 minimum	0
BRITISH GOVERNMENT STOCKS§								
7.75pc Treasury 1985-88	10.20	7.91	6.65	5.47	half yearly	4	—	0
10pc Treasury 1990	10.63	7.70	6.08	4.56	half yearly	4	—	0
10.25pc Exchequer 1995	10.33	7.35	5.70	4.16	half yearly	4	—	0
3pc Transport 1978-88	7.90	6.98	6.48	6.01	half yearly	4	—	0
2.5pc Exchequer 1990	8.13	7.32	6.87	6.44	half yearly	4	—	0
Index-linked 1990¶	7.98	7.38	7.05	6.74	half yearly	2/4	—	0

* Lloyds Bank. † Halifax. ‡ Held for five years. § Source: Phillips and Drew. ¶ Assumes 4 per cent inflation rate. 1 Paid after deduction of composite rate tax, credited as net of basic rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

John Edwards looks at a new variation to the holiday property bond scheme sponsored by Villa Owners Club, aimed at raising money to buy Central London properties.



Manoir de Hilguy in Brittany will be ready for Bondholders in May

Gilt-edged holidays

IT MAY be dangerous to change a winning formula. But Villa Owners Club, Newmarket-based sponsors of the Holiday Property Bond, has decided to take the plunge. In four years sales of the Holiday Property Bond have risen from £326,000 to over £15m — last year alone they jumped from £8.8m to £15.05m, in spite of the unfavourable publicity that surrounded timeshare schemes.

The reason for this success is that the Holiday Bond managed to establish itself as a very different type of timeshare. Instead by buying a week or so at one particular property, the Holiday Bond offers a wide range of holiday accommodation at different centres, all maintained at a high standard, at the same time putting your money into an investment bond which should increase in value.

In effect you are investing in a bond that provides free holiday accommodation for life as a form of dividend. Each bondholder is allocated holiday bonus points, according to the size of your investment. The "cost" of using the accommodation owned by the bond is measured by a weekly points chart which takes into account the location, type of accommodation and the time of the year.

It follows that the most popular accommodation costs the most points at the height of the season. But there is a wide selection available, from centres in Britain to Austria and sunny countries like Cyprus, Spain, the Canary Islands and Portugal, with different peak seasons. The bigger the bond becomes the greater the choice available to the bondholders.

The formula has an obvious appeal; however, it has its limitations. Villa Owners have made no secret of the fact that only 40 per cent of investors' money has actually gone into the Bond for buying property.

If you invest, say, £10,000, there is an initial charge of 20 per cent deducted for the privilege of joining the scheme. This is supposed to cover primarily the market costs and can be justified to bondholders on the basis that the bigger the bond the wider the selection of properties available eventually.

Another 40 per cent of your money goes into fixed interest instruments, such as gilts, to generate income for covering the cost of providing free maintenance services—including heating, electricity and water—which can add considerably to the cost of a normal timeshare or other schemes. This has been a special feature of the Holiday Bond, which is basically a UK version of the original scheme dressed up by a Swiss company Hapimag.

In spite of the limited percentage invested in the properties, the spectacular increase in the total funds contributed has considerbaly widened the choice of holiday accommodation available for bondholders; last year, for example, the Bond bought (with the holders' blessing) a château in Brittany.

However, Villa Owners have now decided to change the mix in order to sustain expansion. It has introduced a new class of investor—the Gold Bondholders. They will receive a greater allocation of holiday bonus points (50 per cent more than the ordinary — or "silver" bondholder) but in return will have to pay a user charge for the maintenance services provided.

It is planned to make the extra money available to finance the purchase of properties in city centres, starting this year in London, to be available on a daily rather than a weekly basis.

The move to introduce two classes of bondholder has resulted in some complicated changes. The whole allocation of holiday bonus points has been revised, and now includes the user charge payable by gold bondholders as well.

However Binder Hamlyn, the chartered accountants who are financial advisers to the Bond, have given a categorical assurance that existing bondholders who do not wish to switch to the gold class will continue to have exactly the same holiday entitlement as in the past.

Nevertheless the new set-up does represent a radical change in direction for the Bond, aimed at boosting the investment side, which so far has not been performing particularly well. The rapid expansion in the number of properties bought has involved heavy expense and the value of the Bond has remained static. Since investors face an immediate loss of 20 per cent, the value of the Bond needs to rise substantially before they can recoup their money. So it is little wonder that so far very few of the 4,000 bondholders have taken advantage of the buy-back facility available for leaving the scheme after two years.

On the other hand, they do get the choice of holiday accommodation in a growing number of centres for life, free of charge—although of course you still have to pay the cost of getting there, so a comparison with the cost of other holidays is difficult to make.

Take advantage of switching discounts, advises **Christine Stopp**

A switch in time may save

WHAT can the ordinary investor do to get up to 4 per cent discount on a purchase of unit trusts? The answer is, keep your money within one group and take advantage of switching discounts.

Switching terms offered by unit trust groups have improved dramatically over the last few years. As a result of the rapidly increasing competition for unitholders' money, groups are keen to exploit any feature calculated to enhance brand loyalty." It is now easy to find discounts of 3 or 4 per cent on offer on the new units if you switch from, say, the Bloggs Japan to the Bloggs Europe trust.

Fidelity, Mercury, Perpetual, Target and Tyndall are among the groups offering 4 per cent, and Abbey, Allied, Dunbar, County, Save and Prosper and the TSB are only the five largest of those groups offering 3 or 3.5 per cent.

Most groups offer a discount automatically on a switch where a unitholder is dealing directly. The discount will normally be given in the form of extra units, and will be marked on the contract note. Occasionally, a group will offer the option of taking cash.

A switch, of course, is defined as a sale and repurchase in one operation: you can't sell units from one trust today, buy some in another of the same group's trusts in three days time, and still get a discount. In practice, this may inhibit the taking of discount. Even if you are happy to move your money from one of a group's trusts into another, your purpose in making the sale originally may be to go liquid for a while and put your money on deposit.

Switching discounts are not a widely advertised feature of unit trusts, and practice may vary quite a bit between groups. For example, one group does not give a discount automatically to direct clients, though it will do so if asked. So always ask, even if you haven't seen discounts mentioned in the group's literature.

It is also worth asking for a volume discount if you are investing a substantial amount—say £5,000 or more—in one trust.

The vast majority of unit trust sales are now made through intermediaries. If you are using a broker rather than going direct, the picture on switching discounts becomes more complicated. Both management groups and the brokers themselves have different ways of dealing with discounts.

Where a unitholder is buying units through a broker, the discount will usually depend on the broker giving up a proportion of his or her commission. So if the group advertises a 1 per cent discount, and the broker forgoes the 1.75 per cent "marketing allowance" proportion of his commission the investor will get 2.75 per cent. If the broker gave up the whole of his or her commission, the client would get 4 per cent.

A group quoting 4 per cent will pay a maximum of 3 per cent commission (as per the industry standard) to the broker out of the discount allowed, so the client may end up with only 1 per cent. The actual amount will depend on the broker's policy.

Groups have a dilemma on their hands where the broker is concerned. They want to encourage direct sales, but they don't want to damage relationships with brokers by offering investors better terms for going direct. With some groups, though, this is exactly what does happen with switching discounts. In the case quoted above, the broker client may get only 1 per cent, whereas the direct client could get 4 per cent.

Brokers' attitudes may vary a lot on what they do over switching discount, with a number of factors entering into the equation. If a broker is switching £250,000 on behalf of several dozen clients, he or she may offer different levels of discount depending on the amount each client has invested. The broker will instruct the unit trust group as to the arrangements for each client at the time of the switch, and the contract notes will come out of the group's computer system showing the appropriate amount of commission in each case.

Some brokers take the view that each independent client deal should be cost effective in its own right, so full commission will be taken on the smallest deals and the lowest possible discount offered, and vice-versa on large deals. Others might operate the same commission across the board. Some may vary the level of discount pased on depending on whether the trust they are switching out of has done well or badly.

The reason that unit trust groups are so ready to quote high switching discount figures is that there is not much same-group switching done. Intermediaries tend to favour different investment sectors, and to wait for the right moment to reinvest, rather than switching trusts on the same day.

Most groups said they saw little switching within their own trusts, and would not, on the whole, encourage frequent switching. They would agree, though, that a generous switching discount was "not a lot of money where the aim is to keep funds within the group."

As an initial boost to performance, 4 per cent is not to be sniffed at, though the advantage could soon be wiped out by a better managed rival trust. However, the switching discount might be something to bear in mind when making an initial choice of management groups: select a group with a consistent record in a number of sectors, and reduce the damaging costs of switching by staying within the same group and taking the discount.

Fidelity lowers gilts fees

"THE CHEAPEST, and most convenient, way of buying gilts." That is the claim made by Fidelity for its revamped Gilt & Fixed Interest Trust, launched this week.

There are two major innovations. One is that in future there will be no initial charge for buying into the fund. With no bid and offer spread, there will be a single dealing price at which you can both buy and sell. Previously there was a 3 per cent front load charge and at one stage this was even 5 per cent.

Barry Bateman, Fidelity's managing director, says that they were no longer "comfortable" in making a charge for a fund that would not require the kind of active management needed in the past. So they decided to go the whole way and cut costs even below the amount charged if you buy via the Post Office, which until now has been the cheapest (and possibly most cumbersome and restricted) way of buying gilts.

Charges by brokers and banks vary according to the company, and the size of the purchase, but the average unit trust has an initial front load cost of 5 per cent, plus an annual management fee of 0.5 to 1.0 per cent. Fidelity are charging an annual fee of 0.75 per cent, plus no initial charge.

The second innovation is that Fidelity has changed the frequency of income payment from quarterly to monthly, paid direct to your bank so that you get use of the money immediately. Fidelity says it is the only gilt unit trust to pay monthly. If you invest directly into gilts, income payments are normally received once or twice a year.

These changes in the existing trust made by Fidelity reflect the difficulties that have been faced by gilt unit trusts ever since the change in the taxation treatment last year left them at a disadvantage and made it difficult, or virtually impossible, to make the kind of capital gains achieved in the past.

Fidelity says that these changes mainly affect gilt unit trusts that concentrated on capital growth, often by exploiting the now closed loophole used to convert accrued income into tax-free capital gains.

The other disadvantage suffered by unit trusts is that if you buy gilts via a fund then you are liable to capital gains tax when you take your profits by selling your units, whereas if you buy gilts direct yourself there is no such tax liability. But, of course, you have to make your own decisions

Fidelity argues that most people holding gilt income unit trusts are primarily interested in receiving guaranteed steady and regular income and tend not to cash in the units so as to incur a capital gain. At the same time the annual capital gains tax exemption of £6,300 gives quite a bit of scope for the ordinary investor.

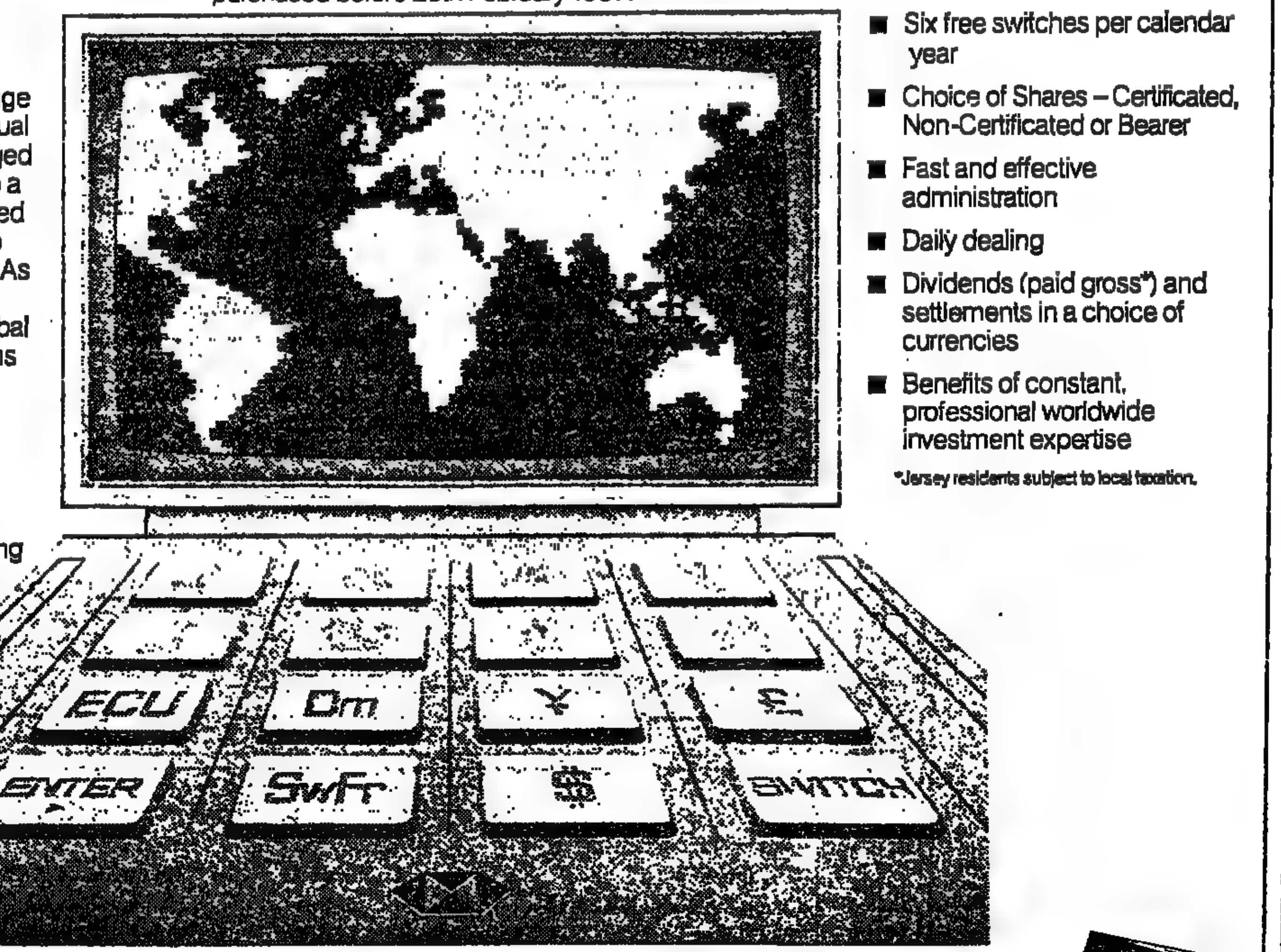
Apart from security and the ability to fix a regular, steady, income gilts are particularly suitable for the non-tax payer. Although standard rate tax is deducted from income payments at source, you can reclaim the tax deducted if you are not liable to pay tax unlike building society or bank interest accounts where the composite rate tax deducted cannot be reclaimed.

Non-tax payers should, therefore, either go into gilts or the tax-free National Savings products also offered by the Government to help raise revenue.

Current estimated yield on the new Fidelity trust, which will be less actively managed than previously because of the tax restrictions, is 9.9 per cent gross. The minimum investment has been raised from £500 to £1,000.

You can obtain full details by telephoning, free of charge, a special advice number—0800 414161—which is operational between 9 am to 9 pm weekdays and 9 am to 5 pm at weekends.

John Edwards



Eric Short lends a guiding hand to those nearing retirement and bewildered by the choice of pensions

The annuity contract jungle

YOU ARE a self-employed man reaching age 65 and about to draw the pension from your various pension contracts. You have accumulated a substantial sum which, after keeping the maximum tax free cash, amounts to £100,000 which has to be used to buy a pension. What type of pension are you going to buy?

If you thought that all your problems were over once you had decided how much to contribute to your pension, what type of contract to take out and with which life company, then you are mistaken.

In reality, this *stage* is relatively straightforward compared with the decisions that you will have to make now that you are about to draw your pension.

This may come as something of a surprise. The sales pitch

made to you in setting up the pension contracts said very little about the actual pension. Everything was concerned with the investment return and the *expected cash sum accumulated* by the time you came to draw your pension.

But only about a quarter of the accumulated *sum* can be taken as a tax free cash sum. The remainder has to be used to buy a pension from a life company and this is where decisions have to be made.

Ideally, you want the maximum possible starting pension that will maintain its value in real terms, just like the pensions paid to your brother who retired *from the civil service* a few years ago.

But you have to buy your pension in the market place, where there *is* no recourse to taxpayers to finance such pensions. Choosing the right pension to *buy* is going to involve the most difficult decision you will have to make in the whole course of your pension arrangements.

Life companies have been making their self-employed contracts highly flexible with a variety of choices for the investor. Equitable Life, the world's oldest mutual life company, has recently applied this flexibility to its range of annuity contracts. These can be broken down into the following categories:

● A level annuity where payments are fixed in money terms.

● An annuity increasing each year by a pre-determined amount, irrespective of the rate of inflation. The rate of increase is decided by the investor at outset.

● Unit-linked annuities. These come in varying forms. The basic type is one where the monthly payment varies with unit prices. Since the Equitable Life contract is based on an equity fund, payments can go down as well as up.

The company has alternatives on the unit linked theme whereby the investor can assume in advance a predetermined growth rate, thereby securing a higher initial payment and the annuity amount varies around this growth rate. For example, the investor can build in an 8 per cent growth rate into the starting payment and increases in the payment will depend the excess of growth over 8 per cent (there will be reductions if growth falls short of 8 per cent).

● With profits. This annuity has a guaranteed annual increase of 3.5 per cent together with a bonus increase declared annually. The current bonus rate from Equitable Life is 8.5 per cent together with a terminal bonus payment. If this bonus rate is maintained, it should pass the level annuity after eight years.

Life companies have been talking about with-profit annuities for years, but Equitable Life *is* the *first company* to launch such contracts.

● Index Linked Annuities, where the payment is increased each year in line with movements in the Retail Price Index (with a three-month delay factor).

Because they are in the market place, the self-employed find that the annuity with the highest initial payment is fixed in money terms so its value will depreciate fastest, while the annuity offering high growth *rates has* a low starting amount. They are facing a dilemma.

The table shows the effects of these various annuities. It is a bewildering choice for you to make and one which only you can decide on. Your advisor can explain the various features of each type and calculate the effects of inflation and investment on each type over the years. But only you can decide on which type to take. In doing so you need to consider four features:

● What is the minimum income you need now taking into account your other sources of income?

● How long are you likely to live?

● What will be the rate of inflation over the rest of your life?

● How is your wife going to *manage financially* if you die before her?

You will need to take into account the following facts and considerations:

You could live far longer than you expect. The life expectancy *for a healthy 65-year-old* man is 14.6 years. Most people consider that at 65 they have only a few years to live—they recall a former colleague who died days after he retired but forget other acquaintances who are still alive years after they retired.

At present inflation is low and the avowed intention of the present Government is to keep inflation down. If this could be guaranteed then a 3 per cent increasing annuity would meet *your requirements* but *one only* has to recall inflation levels in *the 1970s and early 1980s to see* that 3 per cent in such circumstances provides little protection.

The difference in payments for a 3 per cent increasing annuity and an index-linked annuity illustrates the cost of guarantee *against high inflation returning.*

At present, with real investment returns over inflation at a record high, the equity-linked or with-profit annuities offer the best growth prospects compared with guaranteed increases.

Finally, if you want to provide for your wife, this will cut down on the amount of the annuity since it extends the average period over which the annuity is paid.

However, many widows are having to use their high-valued house to get income on a home income plan because the pension died with their husband.

But such financial protection costs money—if your wife is *three years younger than yourself*, the combined life expectancy is nearly 23.5 years. The table shows the extent of that cost on the amount of annuity bought on the assumption that your wife is three years younger.

It also assumes that the full amount of pension continues to be paid to her should you die first. The impact on cost can be reduced by providing a lower amount, since *as* the pension reducing by half. You can also boost the initial payment by having the pension reducing whoever dies first.

The state requirement under personal pensions of providing a 50 per cent spouse's pension appears illogical in that if the employee dies first the spouse gets half pension but if the spouse dies first the pension continues *to* be paid in *full*.

The more flexibility built into pension contracts, the more decisions that have to be taken by the *self-employed. You can post*pone the decision on the pension until your 75th birthday. You can draw the pension at any time between your *60th* and 75th birthday. You are not forced to draw the pension just because you have stopped work and you *can draw the pension* even though you are still working.

Indeed, on financial planning grounds only it makes sense to defer taking the pension for as long as possible.

If you die before drawing the pension your estate receives the full value of your pension contract. If you die soon after starting the pension the value is lost. Although at 65 the life-expectancy is 14.6 years, one man in 40 will die before reaching age 66. With pension payments the Inheritance Tax Rate is 100 per cent. You can protect yourself against capital loss by having payments guaranteed for a certain period—the table shows rates guaranteed for five years—but this cuts down the amount of pension.

During Norman Fowler's review on pensions, arguments were put forward against forcing a person to use his pension savings to buy an annuity, on the grounds that the estate of those dying soon after retirement lost out.

The alternative suggestion was to be allowed to use the capital to buy income while still preserving the capital—such as investing in a unit trust or a building society and taking the income but not being forced to draw on the capital. But the civil servants never really understood the underlying problem and the argument was not pursued by its proponents.

The employed, with personal pensions or company *money purchase schemes, face* similar decisions of buying the pension. The temptation is to go for the highest immediate cash. *The vast majority of self-*employed do this. But be warned: you will not get a further penny out of a life company if you make the wrong decision and live too long under high inflation. Employers can be more amenable.

SELF-EMPLOYED PENSIONS

(a)—Monthly pension secured by a man aged 65 for a cash sum of £100,000. Pension payments are made for a minimum of five years.
(b)—Monthly pension paid until either death of a man aged 65 or his wife aged 62 for a cash sum of £100,000.

		(a) £	(b) £
1	Level payment fixed in money terms	1,200	1,003
2	Initial payment increasing by 3% each year	1,000	803
3	Initial payment increasing by 10% each year	533	337
4	Unit linked initial payment amount varying monthly with unit price	562	351
5	Unit linked initial payment assuming 8% growth, amounts varying yearly around this growth figure	1,000	787
6	With profit annuity initial payment, a guaranteed 3.5% growth each year plus bonus interest	547	351
7	Index linked initial payment rising each year in line with the RPI	723	512

Source. Equitable Life

BRIDGE

TODAY'S hands are both from rubber bridge. We start with a slam:

```
           N
         ♠ J 2
         ♡ K 9 3
         ♢ A 10 8 4
         ♣ K 10 7 3
    W                  E
♠ K Q 10 9 3     ♠ 8 7 6 4
♡ 5              ♡ 7 4 2
♢ Q 7 5          ♢ 9 3 3
♣ J 9 5 2        ♣ Q 8 6
           S
         ♠ A 5
         ♡ A Q J 10 8 6
         ♢ K J 6
         ♣ A 4
```

With North-South game, South dealt and opened the bidding with two hearts, and North replied with three hearts. Encouraged by this positive *response*, which promised trump support and an ace, South rebid four clubs, showing his lowest control. North *in* turn *said four* diamonds, and South made a second cue-bid with four spades. North showed second-round control with five clubs, and South's six hearts concluded an intelligent auction.

When West led the king of spades declarer took stock. He had 11 top tricks; the 12th depended on guessing the diamond finesse correctly. Then he thought of an endplay. If trumps broke 2-2, he could eliminate clubs while drawing trumps, and throw West in with a spade in order to force a diamond return which would "find" the queen, or a spade return which would concede a ruff discard.

Taking the opening lead with his ace, he cashed ace and king of clubs, ruffed a low club with the ten of hearts, crossed *to* the nine of hearts, and ruffed dummy's last club. He then led a trump to dummy's king, and West showed out—perfect *elimination* was not possible. But since it was West who had no further trump, there was still an imperfect elimination, so *he* threw West in with a spade to the queen.

West led back the five of diamonds, South won with his knave, drew the trump, and claimed.

Remember, if the intended victim of a throw-in shows out of trumps, you can still operate an imperfect elimination against him.

The fact that North-South were vulnerable with a part score of 60 is the reason for the crazy bidding sequence in this hand:

```
           N
         ♠ K 7 6 4
         ♡ K 8 3
         ♢ K 8 4
         ♣ J 5
    W                  E
♠ Q J 10 8       ♠ 9 5 3
♡ Q 9 7 6 2      ♡ J 4
♢ Q J 3          ♢ 7 5 2
♣ K              ♣ Q 10 9 8 3
           S
         ♠ A 2
         ♡ A 10 5
         ♢ A 10 9 6
         ♣ A 6 4 3
```

South dealt and said one no trump, the one reasonable bid.

West doubled (this would not receive an A1 insurance rating at *Lloyds of London*) and North said two no trumps. This was strange. Surely his correct bid is to redouble. Then East decided to compete with three clubs, overstepping the bounds of sanity.

South surely should have doubled and *collected* a *large* penalty but, lured no doubt by the 150 aces, he pushed on to three no trumps.

West's club king was allowed to win, and so was the queen of spades which followed. Winning the knave of spades in hand, South led a diamond, *covered* by knave and king, returned dummy's four, and finessed his nine. West won, and led another *spade*.

Taking with the king on the table, the declarer cashed his two diamond winners, discarding the *seven of* clubs from the table, and threw East in with a low club to knave and queen. East led back the knave of hearts. South won in hand and played his ace of clubs, and West, holding eight of spades and queen, nine of hearts, had no good *discard*. *Sanity* had been restored by the declarer's perfectly timed squeeze.

E. P. C. Cotter

Tenants in common

I own one of a block of four 999 year leasehold flats completed last year and in respect of which the builder has set up a management company, the four owners being members. Provision was made at the time of purchase for the freehold to be transferred to the owners at an early date. Our difficulty is that the formalities of running a company eg accounts, audit, submission of returns to the Registrar of Companies, annual meeting, minutes etc. are totally out of scale with an operation where our annual expenditure on window cleaning, gardening, insurance and electricity for outside lights etc. is unlikely to exceed £100 pa other than in any future year when there are repairs or the outside of the block is painted. At present we pay bills as they occur dividing each by four.

I wonder if there is any easy way in which the procedures can be avoided or simplified while at the same time allowing the builder to transfer the freehold to us jointly and for us to remain able to control the use etc of the building in accordance with the "rules" in the lease?

You can get the builder to transfer the freehold to the four of you as tenants in common to be held on the trusts of a trust deed which can then provide rules for the management of the block and for retirement of each trustee on his ceasing to own a lease appointing the new lessee in his stead. You can then dispense with the management company.

No right if unmarried

My divorced brother's girl friend has just moved in with him into his house which he owns. He has indicated to me that he does not expect the relationship to be a lasting one. Friends have told me that if, after a certain time of living together, he can persuade her to leave, she can claim legally a proportion of his assets to compensate for maintenance. Is this correct and what, please, is the position in law for my brother?

What you have been told is not correct. An unmarried partner has no right of maintenance. If your brother were to die, a person whom he had been maintaining could put forward a claim under the Inheritance (Provision for Family and Dependants) Act 1975 if she were not sufficiently provided for by his will and if she had a reasonable need for maintenance. If the partner makes a contribution to the purchase of the house they live in, eg. by paying mortgage instalments, contributing cash or even working on material improvements to the building, she may acquire a proportion of the value of the house which would entitle her to share in the proceeds of sale. If the house is already paid for this is hardly likely to arise.

Chimney line-up

About seven years ago we sold part of our house after alterations making it into a completely separate house. We have one total dividing inner wall through which the chimneys run. Even to the top the chimneys appear to be separate. The flue from our boiler joins direct with our chimney with no lining whatsoever. About two weeks ago three stones about half brick size came down into the fireplace next door. A few days afterwards they informed me about its happening and said would I mind if they had their chimney to that particular fireplace lined. My answer was to go ahead but if any damage or impediment was caused to my chimney then the builder would be obliged to make it right. Their builder came when I was out. Later our neighbours, rather irate, came round and said that the builder said it was my chimney that was at fault inside and the builder would not line their chimney until I agreed to have my side lined also! I said "Well, I never asked the builder for an opinion—as far as I see our chimney works perfectly well. The fellow might be looking for work!" The neighbour then stamped out saying he was going to his solicitor or to the local council about "constituting a health hazard." I'll make you have your chimney lined!

There the conversation ended! What is my position in law?

You have no responsibility in law to maintain your chimney as long as it does not cause a nuisance to your neighbour. Thus you may have to line it if its fumes are escaping into the next door property, but this seems unlikely as there has been no complaint of such a character. Likewise you could be required to ensure that stones do not continue to fall from your chimney into the neighbour's property: if that is in fact what has happened. But an isolated fall of one or two stones would not constitute a nuisance: it would have to be established that a series of further falls would ensue and that the source is on your property. Even then, it would be up to you to prevent further falls in whatever way you think appropriate (so long as it is effective).

Fair rent increase

I own two cottages which I let furnished at "fair rents" as assessed by the Rent Officer. The rents were last assessed in 1985 at £17.50 and £21.50 per week exclusive of rates. I can apply for a further increase in the fair rents this year. What would you consider to be a suitable economic indicator to use as the basis for an application to increase the rents?

In past applications I have based my case on the retail price index or the CPI. These indicators however hardly reflect the increase in property values, the cost of building repairs or the depreciation of furnishings, or the return that one could obtain from other sources of investment.

You should consult a reputable firm of valuers to ascertain what has happened to the property market in your area. There are indices of house prices and also of rental values produced by some building societies (eg. the Halifax) and by some estate agents (eg. Hillier Parker) but it is wiser to have a professional interpretation of how these bear on a particular locality.

BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Contract day counts

Could you please advise me on a question of capital gains on the sale of a house—the house being tenanted since inherited in 1953 and now being sold with vacant possession. I have calculated the chargeable gain on a time apportionment basis as being £26,165—the net proceeds of sale will be £41,000 and I am advised that the market value at March 1982 would have been £32,000.

Using an indexation figure of 1.25 (the possible 1987 figure) this means I can deduct £8,000 from the gain to arrive at the final figure.

But is there any possibility of the Inland Revenue assessing the value at March 1982 as on a "tenanted" basis which would be appreciably lower? It would seem to me that the March '82 valuation should be on a similar basis to the current sale figure.

The market value at March 31 1982 must, unfortunately, reflect the facts on that day: so vacant-posession value is irrelevent. The solicitor who is acting for you will undoubtedly be able to guide you through the CGT maze, as an integral part of his or her conveyancing service.

In case you have misunderstood the CGT rules (which seems possible, from the wording of your letter), we should point out that it is contract day which matters, not completion day, for both acquisition and disposal. You may also not have realised that time-apportionment will restrict your indexation relief, as mentioned in our reply published on December 7 1985, under "Loss of indexation relief."

Michael Thompson-Noel reports from Hawaii

All mystical on Maui

PRECIOUS FEW travel guides help you capture the mysteries and special secrets of the most romantic places—that elusive *something*, possibly mystical, usually eerie, that helps you feel you've grasped the essence of a particular place or experience.

For example, no brochure or tour booklet can help you glimpse the *real* Hawaii. Instead, what you need is timing, luck and inside information. In the case of Maui, which at 728 square miles is the second largest island in the *Hawaiian* archipelago, one of the best-kept secrets concerns Haleakala Crater, an extinguished volcano on the island's eastern half.

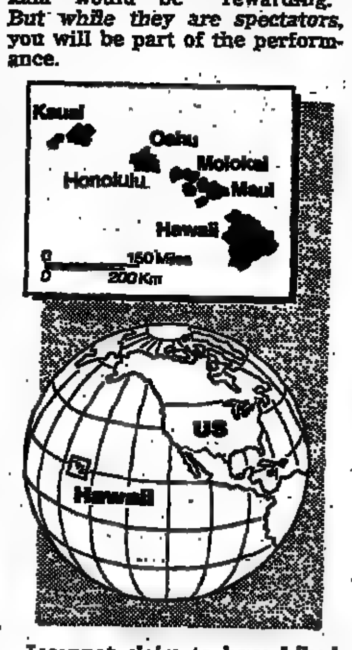
When Mark Twain visited Maui in 1866, he was working as a reporter for California's *Sacramento Union*. His dispatches bore Oahu, Big Island and Maui datelines, but it was Maui that quickly became his favourite. The highlight of his trip was an excursion to the top of Haleakala. "We climbed a thousand feet up the side of this isolated colossus one afternoon," he wrote, "then camped, and next day climbed the remaining nine thousand feet, and anchored on the summit, where we built a fire and froze and roasted by turns all night."

The next morning, Twain and his friends sat on the edge of the mountain as the sun rose above the clouds and warmed the barren landscape of dead lava with a purple glow. "It was the sublimest spectacle I ever witnessed," Twain wrote, "and I think the memory of it will remain with me always."

But we can do better than Twain. The key to one of the best secrets on Maui, says Gordon Morse, a writer who has lived in the islands for more than 60 years, is to arrange to hike across the crater floor, and to spend the night in the centre cabin. *Choose* a night of full moon. Go to bed before dark. Rise early, at 2 am, and start walking out of the crater up Sliding Sands trail to the 10,023 ft summit.

Timing is important. "For about two hours," says Morse, "you will hike the desert crater floor in the cool of night with trail and cinder cones illuminated in the soft haze of moonlight. The silence and stars will be religious. Suddenly, a barrel-shaped blaze of finest silver gleams on the landscape. Then there's another one. And another. Silverswords. The sight has never been captured on film." What is bursting and flashing around you, like a mint exploding, is the famed Haleakala silversword plant *(Argyroxiphium sandwicense)*, whose leaves are silver daggers.

When you are about half way up Sliding Sands trail to the crater rim, dawn should crack red. Sit for 20 minutes and enjoy the technicolour show. *High above you*, a handful of tourists, having driven to the rim, will be peering into the crater because some brochure told them that dawn on Haleakala would be "rewarding." *But while they are spectators*, you will be part of the performance.



I cannot claim to have hiked to the crater rim myself, or to have witnessed the mystical barrage of the silverswords as they catch the first rays of light, but I can recognise verisimilitude when it smacks me in the face. Equally, I can recommend Hawaii not only for a holiday, but as one of the best spots on earth from which to ring your office. In 1984, *en route from Sydney to Los Angeles*, I broke the journey's tedium with a stop in Honolulu, *which has its charms*, and dialled the FT's London number. "Where are you?" demanded *one of the High-Ups*. "Waikiki," I truthfully replied, adding: "Surf's up, everything's *fine. How is the weather in London?*" The silence at the other end was malevolent, and profound.

Six weeks ago, again in the line of duty, I gazed once more on Waikiki Beach, the spiritual home of the modern sport of surfing, the Hawaiian word for which was *he'enalu*, a term shot through with nuance.

Waikiki is a beachboy's paradise. It is also ringed by a concrete girdle of Sheratons. After about a day and a half, in other words, your best bet is to flee the broiling masses and ripening flesh and to head for an outer island. I went to Maui, which is 25 air minutes south-east of Honolulu, and thence to Kauai, to the north of Honolulu, each of which helps illustrate three of the cardinal virtues that make the whole Haiwaiian chain such a splendid place to be.

First, physical beauty. Because the islands began emerging from the sea only 2m to 25m years ago, they are among the newest places on earth. But they have undergone spectacular natural change. For sculptural openers, as Americans would say, volcanic action continued to build and destroy as it wished. In addition, the land was moulded and defined by storms, earthquakes, monster surf, tidal waves and glaciers, and by the growth of whitewater reefs. *As a result*, plains, valleys, cliffs and knife-edged mountain ridges were periodically *flattened*, *shifted*, carved, scooped, scalloped and steepened into what you see today.

Second, the islands are remarkably benign, apart from their volcanoes. When the first Marquesans arrived in Hawaii, they found some 67 endemic Hawaiian birds, about 23 of which are now thought extinct. But there were no amphibia, only two endemic mammals (the monk seal and an insignificant bat), no reptiles, and very few insects: certainly no mosquitos, lice, fleas or flies. And there were almost no lethal germs or social diseases—not until the arrival of the white man, nearly 1,000 years later. What Hawaii *does* possess is one of the finest climates on earth: a sublime mixture of sunshine and rainbows and the natural air-conditioning of regular north-easterly tradewinds.

Third, people. Somerset Maugham *dubbed* Hawaii the meeting place of east and west, where the very new rubs *shoulders with the immeasurably old*, and spoke of "all these strange people" living close together and sharing only two passions, love and hunger. Closer in time, recent census data indicated that Hawaii's population of nearly 1m was comprised of 29 per cent assorted Caucasians, 27.5 per cent Japanese, 18 per cent native Hawaiians or part-Hawaiians, 10 per cent Filipinos, 4.5 per cent Chinese, 1 per cent Koreans, ditto Samoans, ditto blacks, and about 8 per cent "mixed and miscellaneous."

Hawaii: friendliness and vitality everywhere

Hawaiians themselves dislike or distrust the usual references to a "social rainbow," or a "galaxy of cultures," or the claim that with each sexual shuffling of the gene pool, Hawaiian society becomes ever more diverse. But as a columnist once asked in the *Honolulu Advertiser:* where else but in Hawaii would nice Japanese girl Jeanette Sylva, married to a nice Portuguese boy, make her nightclub debut as Natasha the belly dancer, being introduced as the "Queen of Egypt," by a Chinese band-leader whose musicians had just struck up *Hava Nagila?*

The real truths about modern Hawaiian society are no doubt vastly more complex and subtle than those suggested by the chop suey-social rainbow school of amateur anthropology. Yet about 50 per cent of Hawaiian marriages are now inter-racial (possibly the highest such incidence anywhere). And it is a truth that most experts advise the traveller and the tourist to concentrate less on the "Sheraton Circuit" of air-conditioned hotel rooms, tour buses, pineapple plantations, McDonald's, Waikiki and night-clubs, and far more on the real Hawaii — its people. The only sadness here, I suppose, is the relative dearth of native Hawaiians.

Friendliness and vitality greet you almost everywhere, and not only from the locals. On Maui one morning I was up and about at 6 am, listening to the birds. At 7.20 am came the first glints of light, and signs of *viridescence — the word Robert* Louis Stevenson coined especially for Maui. At 9 am, with *the mist still heavy, a fellow* guest in an outrageous bikini asked me where I was off to. *I replied that I was driving to* Lahaina, one-time home of King Kamehameha the Great *and Queen Kaahumanu, one*-time whaling port, and now a lure for jet setters, with its restaurants, *nightclubs and* boutiques. She gave me a wink. "Of course you are, pumpkin," she said. "*You hang in there,* treas." (She was not a young creature, either).

● *Among operators, Jetset Tours offers* a full Hawaiian programme. For example, you can have 19 days from £1,190, including 17 nights accomodation in Honolulu (eight), and Maui, Kauai and Hawaii (three each); or 12 days (10 nights in Honolulu) from £891. You can stop over in Los Angeles at no extra cost, or book a Jetset West Coast fly-drive holiday. In London, Jetset House is at 74 New Oxford Street, London WC1A 1EU. Tel: 01-631 0501.

● The most complete guidebook is the Hawaiian Insight Guide, about $15, but check your copy: mine has 36 pages missing, which is irritating.

Stuart Marshall reviews the new Toyota

Take a deep breath...

ENGINES, like people, have to breathe freely and deeply if *they are to work properly. Most* draw in the combustion air and expel exhaust gases through two valves per cylinder, but the latest designs have four. In Europe, Saab introduced 16-valve, four-cylinder engines a few years ago in their highest performing cars. More recently, Rover 800s and the new Jaguars have appeared with four valves per cylinder.

However, as with so many of the developments that are making the modern car more efficient, economical and environmentally acceptable, it is the Japanese motor industry that is setting the multi-valve pace.

Toyota introduced its first multi-valve engine five years ago. Now, it has more than a dozen of them. They range from a little one-litre with three valves per cylinder in the Starlet small family hatchback, to a 24-valve, in-line six-cylinder in the Supra 2 plus 2 *grand tourer*.

No other manufacturer in the world makes so many multi-valve *engines or offers them* in so wide a variety of mass-produced cars.

The latest *of them* powers the cross-engined, front-wheel-driven Toyota Camry, which went on sale in Britain this week. Toyota says it is the first multi-valve engine to be developed specifically for everyday motoring; earlier ones were all derived from high-performance, sporting units.

The Camry's two-litre produces nearly 20 per cent more power than the previous model's engine and pulls 8 per cent harder. Yet, it uses less fuel and has better exhaust emissions.

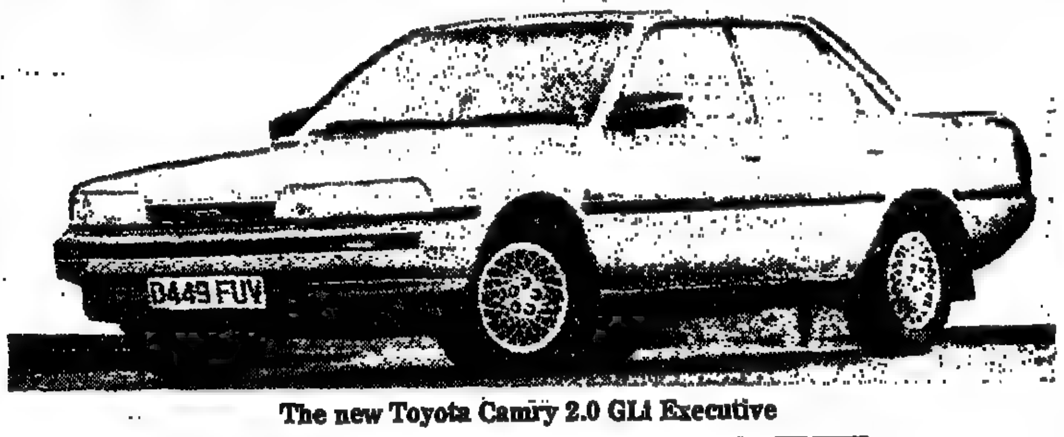
I drove the new Camry saloons in Portugal some weeks ago. Their lively acceleration (just under 10 seconds to 60 mph from a standing start) was enjoyable but I was even more impressed by their refinement and European-style handling. At *high speed they were quiet*. They coped nimbly with Lisbon's rush-hour traffic and on *all kinds of roads, from smooth autoestrada* to potholed tracks, they rode with the kind of firm *comfort* one expects of a typical German car.

As a package the Camry is *nicely furnished*, *elaborately* equipped (power steering, tilt-adjustable wheel, sunroof, *power windows*, electrically adjusted outside mirrors and remote control boot lock are *all standard*) and priced quite keenly. All have fuel injection and prices range from £10,390 for the five-speed manual to £11,900 for the Executive, which has automatic transmission and air conditioning. How long these prices can be held remains to be seen.

In addition to the saloons, Toyota is bringing in a new Camry estate car. Mechanically it is the same, but a tailgate opens on to a flat load floor obstructed only slightly by rear lamp clusters and rear suspension covers. A soft blind pulls over the load space to conceal the luggage. The estate, which costs £10,520 (manual), £11,180 (automatic), has elegant lines with a slightly downswept roof that avoids a boxy look.

Top speed of 125 mph (116 mph for the automatic) are claimed for the saloons; the estates are slightly lower. The official figures suggest a fuel consumption of around 33 mpg in average use for the manuals, 30-31 mpg for the automatic.

There is a diesel, too, a *turbocharged* two-litre with only two valves per cylinder and an output of 83 hp. Diesel buyers will be less interested in the claimed maximum of 106 mph than in the promise of 25 per cent better fuel economy than the petrol-engined models. A mid-40s mpg figure seems possible.



The new Toyota Camry 2.0 GLi Executive

A BREAKDOWN service that aims at getting you on the move within an hour of your making a freefone call for help sounds like the ultimate. It is available now—but only to drivers of Avis rental cars.

Any Avis car-user who breaks down or is immobilised by an accident has only to dial Freefone Avis Assistance. That puts him thorugh to a control centre at Hayes, near Heathrow. Using computers and laser discs, a service engineer *knows* in seconds where to locate the car. A touch of a screen then produces at least 37 breakdown and/or recovery alternatives that are on hand within a reasonable distance.

Because the stranded motorist is dealing with a qualified engineer, the probable cause of the breakdown can be established and the nearest recovery specialist briefed. A "marque to marque" policy ensures that a Ford expert will be sent out to deal with a Sierra or Granada, a Vauxhall man to a Cavalier, and so on.

In the few cases where the car cannot be started, Avis will provide a replacement, a taxi, or will take the customer to his *home or chosen destination*.

Avis says it can offer the service only because it spends enough on servicing and car purchase—over £50m a year—to have considerable clout in the industry: thus, when Avis asks a dealer to jump, he does. A lack of co-operation could well find a valuable slice of business going elsewhere next year.

London Property

• PROPERTY •

John Brennan on London's rental market

Capital investments

A WORRIED tenant telephoned one of Phillips Kay & Lewis's rental management team at home over Christmas. The tenant wasn't sure if he had turned off the gas before going away on holiday. The PK & L staffer abandoned the cinema retreads on television and drove over to the flat to check.

The landlord will never know that his investment might just have made the 9 O'Clock News as a smouldering wreck. The insurance company's loss adjusters were saved some unseasonal work. The tenant could continue on holiday with an easy mind.

For the rental management staff, it was just another conversation piece alongside the tales of dealing with lost keys, resolving plumbing disasters, ensuring that flower beds are weeded, arranging to replace inert TVs, unclogging shower units . . . dealing, in fact, with all the normal household tasks that an owner-occupier accepts as par for the course but which a residential property investor, half-way across the world, would find impossible to keep track of.

Day-to-day management of rental properties is one of the necessary, but necessarily prosaic, parts of a business that PK & L's Harold Phillips describes as having been "the Cinderella of the estate agency business" for years. "It is only four or five years ago, with the advent of professional investors, that the rental market began to be taken seriously," he says.

Since then, it seems that virtually every sizable London sales agency—and plenty outside the capital as well—has been claiming to offer a residential rental service, whether or not it has experience of dealing with absentee landlords and management-conscious tenants.

The agents' enthusiasm for the business is understandable.

Until last autumn, when horror tales of the imminent collapse of UK house prices started to alarm potential investors abroad, there had been steady buying demand from UK expatriates—and from international investors of all kinds—for prime London houses and flats suitable for corporate letting.

This selective revival of the residential investment market effectively dates from, and is a direct consequence of, the spectacular increases in central London property values since the early 1980s.

When the Henderson Prime Residential Property Fund was launched in November 1981, it had an uphill task persuading people that property rentals were a serious investment option. In its pioneering role as the first of the UK's unitised residential investment vehicles, Henderson did a great deal to spread the message that, as an international city, London does have a stable, if ever-changing, population of temporary residents willing and able to pay several hundred pounds a week to rent high-quality, well-located properties.

Henderson's salesmen argued the case long and hard, but what really enabled the fund to sell the principle of UK residential investment purchase was the practical evidence of soaring capital values.

Hampton & Sons, which provides the management for Henderson's portfolio, recorded a 16.57 per cent annual compound growth rate for prime properties in Mayfair, Belgravia, Knightsbridge, Kensington, Chelsea, Regent's Park and St John's Wood over the 10 years to 1986. That kind of sustained capital growth, backed up by headline stories early in the 1980s about increases up to 40 per cent or more in the sale price of London homes, started to tempt direct investors into the market just as residential loan finance was becoming available more freely.

To add to this happy combination, prime rental income returns as high as 12.5 per cent were being achieved in 1982-83. As a result, early investment buyers became the most effective popularisers of London property by showing their friends combined capital and income returns, after all costs, that put even a global bull market in equities in the shade.

The banks were delighted to oblige with mortgage finance for executives based overseas, and the sales agents have been more than happy to tour the Middle and Far East with displays of London properties created by a new generation of residential developers busy turning out newly-built or refurbished flats and houses to international standards.

Peter Braithwaithe, the residential partner of Debenham Tewson & Chinnocks, noted after his sales tour to Hong Kong and Singapore late last year that few of the mainly expatriate viewers needed to consider financing packages. "Most," he recalls, "had loan finance lined up if they needed it." And most were looking in the under-£200,000 price range for flats in which they would not intend to live on their return to Britain.

Other agents carrying London developments on overseas selling tours report the same points: plenty of interest in buying flats for rent; considerable knowledge of the latest reports on London property values; a fairly common optimum price range, from £100,000 to £200,000, normally financed by a pre-arranged sterling loan accounting for between 50 to 80 per cent of the purchase price.

Self-evidently, then, the principle of an investment purchase—whether defensively, to keep a toe-hold in the UK market, or opportunistically, in pursuit of the heavily publicised high capital appreciation available—is no longer regarded as a novelty.

Now, just as this form of residential investment can fairly claim to have become a familiar feature of the London market—with a thin echo in other cities, like Bristol, York and Edinburgh—there is a distinct risk that it could become the victim of its own success.

The bears growling around the edges of this bull market take the form of over-exuberant amateur rental agencies promising yesterday's returns in today's far less boisterous market. The real risk is not that their unwary (or possibly unrealistically greedy) clients will lose out but that, just as well-timed purchases led to word-of-mouth support for residential investments in the past, unwise purchases made now could have the effect of discrediting the market as a whole.

Such a run on the market would be as sensible as a mass exodus from IBM stock just because of the collapse of a number of third division software groups. But it is a real risk because the UK residential investment market is still comparatively small—most guesstimates fall shy of a total of 5,000 to 6,000 properties in all, with a total market value of £1.25 to £1.5bn (although Tim Maskell, whose firm has been in the rental business since the 1960s, thinks there might be as many as 10,000 London rentals). And since most owners are first-timers holding assets that have already shown significant capital appreciation, a nervous run of sales by investors getting out while they are ahead, in a market that is now over-supplied with rental stock, could spark just such an exaggerated response.

PK & L investment clients are certainly ahead of the game at the moment. The average annual percentage capital gain on central London properties it bought for clients between the summer of 1983 and last year, and which it resold before the end of 1986, comes to 41.74 per cent. That average masks a whole spectrum of actual gains; from an annualised 12.6 per cent for a property held for under 18 months from late 1984, to an annual average 110.4 per cent that is hardly fair to quote since it marks a swift turn of a property bought in June 1986 and sold the following month. In any event, Harold Phillips doesn't regard the historic figures as more than an illustration of the real art of the rental/investment agent—which is knowing when to sell.

"Money is made," he stresses, "by buying and selling rather than buying and holding." And while he says that it is often quite difficult to persuade an investor that it is time to cash-in a property, an eventual sale lies at the back of all the planning to set up an investment purchase.

Phillips adds: "To get to the nirvarna of having a wonderful American corporate tenant who is no trouble, who is flitting in and out of the country all the time, and who is in a property that will eventually sell well to a local buyer, you've got to pay the entrance fee—and that is the right property in the right area. If you get either of those two things wrong, you've made an expensive mistake." Buying with an eye to an eventual good local market sale means, in Phillips' experience, steering clear of the larger flat blocks and multi-unit redevelopments, even if they seem ideally suited to rentals.

According to Phillips: "One of the main reasons the funds haven't done very well is that they have bought that kind of property. Many people come to us who say they have seen this development for sale, and the flat is one of 100, and it's the right size and the right price, and we have to say that it just isn't sensible. If 50 investors want to buy at the same time, 50 investors will want to sell at the same time.

"We tell them, 'You want to buy where the British buy.' We don't just go out buying for the sake of buying because we don't have the same pressure on us as an agent who is selling a development. What we are looking for is to see good sale at the end of the day."

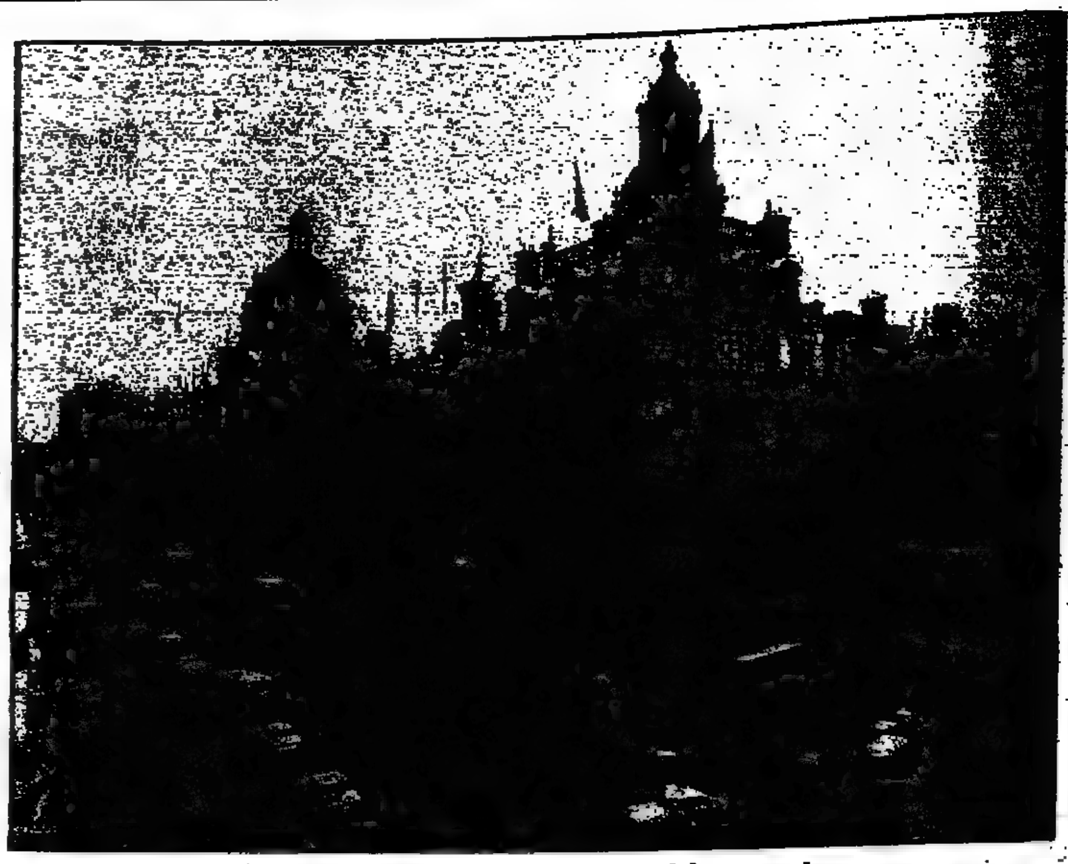
Maskell thinks that, as a result of some of the expatriate selling trips, "a lot of people did buy expensive rubbish sold with unrealistic quoted rents," and that buyers are now far more wary about the properties they will consider. John Birch, deputy chairman of the 50-member Association of Residential Letting Agents (and whose agency, Birch & Co, is another long establishd rental specialist) underlines the point that it has become all too easy to pick a property for rent that just won't

Continued on next Page

CASH FLOW FOR A LONDON RENTAL-INVESTMENT PROPERTY

Taking a notional 3-bedroom flat in Central London valued at £200,000

	£
Property purchase price	200,000
Stamp Duty	2,000
Solicitor's fees	1,000
Survey fee	350
Decoration and furnishing (normally allow up to 10% of the purchase costs)	20,000
plus any agency acquisition fees	
Total investment	223,350
Potential rental, say £380 a week	
Total annual rental (approx.)	19,000
Less	
Rental fees @ 10 per cent	1,900
VAT @ 15%	285
Management fees @ 5%	95
VAT @ 15%	14
Tenancy agreement and stamp	90
Inventory fees	40
Ground rent (say)	15
Service charges (say)	800
General and water rates	750
Nominal repairs	200
Content insurance	120
Total outgoings	4,269
Rental surplus (before financing costs)	14,731
Notional gross rental return	14,731
£223,350 = 6.6 per cent	



Even one's Knightsbridge tenants need a useful corner shop . . .

Overseas Property

Rentals

Country Property

Continued from previous page

Rental market picks up

be suitable in an increasingly selective market.

People looking at rental apartments now expect a standard of fittings, such as dishwashers and impulse showers, that were considered exceptional luxuries a couple of years ago. As for locations, Birch, Phillips and all specialists chorus the fact that international renters are not pioneers. They pick established locations, not up-and-coming areas.

"Such things as the flavour of an area like Docklands are lost on people who come from abroad," says Birch. "They come from places where there are good residential areas and bad residential areas and where the two don't mix.

"If an American walks along Wapping High Street, he sees that there is lots of activity but that the area still has plenty of rough property—and he just doesn't want to know. People want safe areas in every sense."

So what is "safe"? Kensington, Chelsea, Regent's Park, Holland Park and some parts of Hampstead could qualify. The general boundaries of London's international residential heartland are tightly circumscribed but dangerous to generalise about because, in rental investment terms, you need to get right all the elements—location, property type, quality, resale potential and potential for faster-than-average capital growth—while remembering that most private investors only have one shot at a time at the target.

According to Victoria Mitchell of Savills, no matter how coolly objective investors think they are going to be when they look at properties they intend to buy for rent, there is invariably a subjective element of self-selection that helps to insulate them from choosing anything too off-beam. Mitchel finds: "When it comes to looking around at apartments and houses, people find it very hard to buy something that they wouldn't consider living in themselves." Investors who buy properties sight unseen—as quite a few overseas buyers do—can't get that kind of "feel" for a place, and are in the hands of their agent.

In that situation, it is a matter of judging whether the agent is, primarily, selling or advising. If the former, the buyer is more customer than a client. If the latter, clients should expect a clear breakdown of costs and management expenses as well as recommended rental charges so that they can calculate actual yields on specific properties rather than relying upon market-wide views on yields, or examples of returns on "similar" properties in the area.

Not that broad market commentaries are entirely without value: they do help in judgments on the timing of purchases and sales. And on that basis, the overriding question at the start of 1987 is whether the central London rental investment market is now ex-growth or not.

"Five years ago," says Phillips, "when the oil companies were a major force in the market, you couldn't really see a day when they would be out of it, because it would be a disaster. But now they are out, and rents are higher . . ."

Maskell confirms the glut of rental properties in the autumn but says the new year started well. "It's already beginning to pick up," he declares.

"Over 90 per cent of renters stay for two years. Perhaps 50 per cent stay for a third year," says Harold Phillips

The initial wave of overseas banking staff drawn into London by Big Bang might well have passed its peak. But any softening of the rental market does appear to relate to the greater supply of properties, rather than to any fundamental slackening of demand for accommodation. That, in turn, leads right back to the selection of investment properties, not on to evidence of a prospective market collapse.

As prices have risen, prime residential rental yields generally have fallen into the 6 to 8 per cent range. Lower-cost, off-centre properties do offer significantly higher initial yields, but they are also a bigger gamble on resale values. Those gross yields are before allowing for financing costs, and they make no allowance for an investor's tax position or for any change in capital values. As a rough guide, a prime investor these days could expect a rental property to just about cover its acquisition and funding costs—possibly with a small net deficit—while looking to capital appreciation, and a well-timed sale, for the real returns.

Although managing agents have to withhold standard rate income tax on rental income remitted abroad, most owners living overseas will be able to offset that charge against their sterling loan costs and rental expenses, so it is a detail that rarely affects the actual returns. An owner would have to be unusually active to fall foul of the Inland Revenue to the extent of being treated as a property trader; thus, surpluses on a sale are usually tax-free.

However, "usually" is a dangerously sheepish word to use alongside anything as wolf-like as tax, and investors who do not get specific tax advice over a UK property purchase run the risk of finding their entire overseas earnings drawn inside the UK tax net by accidentally re-establishing their British domicile.

As for the broader market trends, the prospect of an enfeebled pound sterling in election year tends to cheer rather than depress London agencies with international-quality properties on their books. Currency bargains tend to tempt the international buyers and cut the real costs of sterling-denominated rentals. Even that standard residential bogeyman, a strongly left-wing Labour government, can be seen in a positive light in so far as a shift towards a more freely-spending government would normally mark the start of a period of higher inflation and, with it, rising property prices.

As for rental demand, the coming election presents no particular terrors for the market. Now that the City's invisible earnings exceed North Sea oil surpluses (with no compensating good news from the physical trade figures), and the overwhelming volume of financial trading in London has nothing whatever to do with the domestic market, even a government unsympathetic to the City would hardly countenance moves that could lead to an outflow of foreign companies and their staff from London.

More critically, with "Irangate" weakening the Republican Administration's legislative muscle, and insider trading scandals denting Wall Street's lobby power, the odds have lengthened on US banking reform that might curb London's appeal as a convenient offshore base for New York finance houses.

Short of the closure of Harrods, the sale of Regent's Park for council housing, regular rioting in Mayfair, and the introduction of enforced comprehensive education in the international schools, it is hard to see what could prevent London from remaining a cosmopolitan city. And that is what ensures the survival of the capital's rental-investment property market.

Joy Melville discovers the rescue service for slobs

Clean up your filthy act

LOOK around you. Is your home fit to appear in a glossy magazine or is it a tip? How many of us, who happily flick dusters around, and occasionally even vacuum, have the time (or the inclination) to get to those bottom layers: the hidden, grease-coated inside of the oven; the ochre-etched stain in the bath; the sinister fungus at the back of the fridge?

I had long since given up; then, a friend—a woman banking executive who had abandoned home entertaining rather than tackle her tarnished and blackened silver cutlery—rang up everyone she knew in delight to say she had the solution.

She called in a cleaning firm and asked it to carry out a spring-clean for her. A young man turned up to give her an estimate, which came to just under £100. If she had paid more, she could have had the place vacuumed, carpets cleaned, and so on: but, trying to economise, she went just for essentials.

These included washing the kitchen floor, polishing floors and cupboards, cleaning the oven (in her case blackened inside and out), washing down the bathroom tiles and eliminating all the stains on the enamel, and cleaning her enormous windows (which looked like drawn, grey curtains). It took him a whole day and the result delighted her.

Paying £100 seems a lot but it works out much the same as paying a weekly cleaner—who might be unwilling to tackle large windows or tacky ovens. Certainly, a growing number of people seem to be coming to that conclusion and calling in cleaning firms.

John Simons, a director of such a London firm, called Cleaningwise, says: "It's something we have been doing for about 16 years but our market is now growing by about 40 per cent a year. As people work more and more, they farm this kind of work out more and more.

"Clients are gradually going down the class scale but we operate right across the board: there's no kind of job we haven't done, from giving a Belgravia house a top to bottom clean every year, including the chandeliers, to clearing up after a fire and removing all the soot from the cupboards."

Cleaningwise, which caters for all London and some of the home counties, will send an experienced estimator within a couple of hours to price the job. What has to be done must be seen: people aren't always truthful about just how appalling their place is.

According to the estimator's report, the firm sends in one person—or 10—who go through the house like locusts: "We do a total blitz," says Simons, "something a cleaner would find overwhelming."

David Taylor, the proprietor of the Clean and Shine agency, a small family company, agrees that cleaners must be chosen carefully. "It's got to be a certain type of person who is willing to get stuck in. It's not just a matter of running the vacuum cleaner round and dusting ornaments. The clients can do that themselves.

"We always bring our own materials but you have to remember you are going into people's houses: heavy industrial cleaning material can cause damage—wear out the carpet more, for instance. We do a lot of houses where the wives go out to work, and those of professional people who work late hours."

Clean and Shine's rates are fixed—£5 an hour, with a minimum of two hours. And it uses women only: "A lot of ladies don't get used to men going into their homes. We've tried it and it doesn't work."

Local cleaning firms can be found in the Yellow Pages under Cleaning. Make sure you first get an estimate from a couple, as prices can vary. Some firms charge a flat fee; others have specific charges for items like carpets. Estimators are all-too-well trained to express horror, as you show them around.

NEWS IN BRIEF

RENTING OUT OF TOWN

Mary Harris, of Horner-Hill, achieved a rental of £6,000 for the Christmas month on a period country house in Berkshire. And among her 700 country properties for rent—from a few hundred pounds a week to several thousand—she can offer family houses in Wimbledon or homes for the racing season close to Ascot, stockbroker mansions in Esher or Weybridge flats. "Houses with character are always in demand, it is the more modern ones that can be difficult to place," she says.

Executives working abroad who do not want to sell their homes provide the basic stock of country rentals. Demand comes from staff moving to London from overseas and people arriving from other parts of the UK who rent for a period before finding a place of their own to buy. "We tend to say that it isn't economic to rent for less than four months, but most commonly people will take a year's lease with a renewal option," says Harris.

WHO RENTS?

"We have Koreans and Japanese, and people from all over the world in our rentals," says Horner-Hill's Mary Harris. But she has found that the pullback of US oil company staff from Britain has had a distinct impact on country property rentals. John Birch reports: "In recent years, we have found accommodation for tenants from 43 different countries in central London."

Meanwhile, in an analysis of Savills' rentals, Victoria Mitchell calculated that 46 per cent of rental properties were taken up by US citizens; 24 per cent were Europeans; 12 per cent were British; 6 per cent from the Middle East.

Overseas Property

Country Property

New Homes

Wider Share Ownership

The Government wants to see us as a nation of shareowners but are we a nation of risk-takers? This survey sets out to show what the benefits are and how to spread the risks

Publication day for the TSB Group prospectus.

Banking on the SE

WIDER SHARE ownership is an emotive issue. Is it really a good idea to encourage more people to risk their money on the stock market when the building societies and banks are paying interest way above the current rate of inflation?

The answer to the question will differ according to your political persuasion and where you work. The City, for example, obviously considers wider share ownership to be a "jolly good thing." But a different view might be taken on the shop floor and among supporters of the Labour Party.

Socialists may favour the spread of wealth and back schemes giving workers a bigger stake in the company they work for, but whether this is achieved by encouraging wider share ownership is a different market.

The Conservatives, on the other hand, look on wider share ownership as a central plank in their whole strategy both for economic and political reasons, especially political. It is argued that owning shares buttresses the capitalist system, encouraging workers to have a greater understanding of the problems facing their employers.

At the same time private individuals buying shares also have a vested interest in the companies they invest in and help provide the capital liquidity desperately needed by industry.

The present Government has made it plain that it wants to turn Britain from a nation of shopkeepers into a country of shareholders. It believes that once someone has become a shareholder they are automatically likely to take a more conservative view in wanting to protect their investment.

The privatisation of state-owned organisations, such as British Gas and British Telecom, have in fact served a dual purpose: raising money for the Government and at the same time greatly increasing the number of shareholders. The profits made by those who bought the shares at the issue price may prove to be a mixed blessing in that it makes share dealing look like an easy way of making money. It may be now during a period of boom time for the stock market, but, as the small print in promotional materials keeps repeating—prices can go down as well as up and a decline in share values, which many pundits think is long overdue, could create a lot of unhappy and disillusioned investors.

Already there are signs that the small investor in particular is prepared to take profits when available and is reluctant to be a long term shareholder.

The Personal Equity Plan (PEP) announced in the last Budget, which became operational at the beginning of January, is quite a different matter.

PEPs are aimed at creating long-term shareholders, and actually cost the Government money in tax concessions. Admittedly the way that Mr Lawson, the Chancellor of the Exchequer, has adapted the French Loi Monory scheme into the British version means that the cost of boosting share ownership is greatly reduced for the Treasury. The tax concessions apply only to profits made, not to the money invested. So the impact of the scheme is likely to be considerably reduced.

Nevertheless, PEPs could be potentially the biggest boost yet seen for wider share ownership as the scheme builds up over the years ahead. Much depends on the trend in the British stock market; if the upward trend continues and PEP participants see their tax-free profits rising sharply the number of investors is likely to build up steadily.

Unlike the instant "give-aways" offered by the privatisation issues, the PEP scheme essentially gives its rewards over a longer period—the minimum time you have to hold your PEP shareholding is one year and your money is locked away for a minimum of two years if you came in at the very start.

The disadvanage of PEPs is that you might well lose money, if the share market goes down or if you or your plan manager picks the wrong stocks.

Backed by the long sustained bull market on the stock exchange, brokers and the unit trust groups are able to produce convincing evidence that you would have done a lot better during the past few years by investing in a portfolio of shares, with all the risks involved, than by keeping your money in safe areas like building societies, banks or the gilts market.

Comparisons since 1974, the last major collapse in the London stock market, make shares and share vehicles, like unit and investment trusts, look particularly good against fixed interest deposits.

At the same time, the deliberately low priced privatisation, and other recent new, issues have encouraged the public to believe that the stock market provides easy pickings with almost guaranteed profits.

So, a lot of people who previously would not have even contemplated buying shares are now more than willing to listen to the combined blandishments of unit trusts, banks, insurance companies and other promoters of investment in the stock market.

One side effect of the Big Bang in October was to restore the importance of small, private clients for many stockbrokers, who had previously preferred to concentrate on corporate business. With the ending of the minimum scale of commissions, institutional investors are now to a large extent able to dictate their own terms in a highly competitive market, so the private client with less firepower is required to provide the brokers with jam on their bread and butter business.

While the sparkling return made from share investment in whatever form has provided an attractive gloss for the stock market, wider share ownership has also received a further boost from the spread of employee share schemes reaching a whole new sector of the population.

Company profit sharing schemes, encouraged by government tax concessions, are not specifically aimed at widening general share ownership. Their prime purpose is to motivate employees, by giving them a vested interest in the success of the company they are working for. But the net result is that a large number of additional shareholders has been created, with a favourable view of the market since most of the schemes provide virtually guaranteed profits for the employee in the initial stage at least.

According to the Wider Share Ownership Council, already formed as long ago as 1958 but now coming into its own as an influential pressure group, employees tend to hold on to their company shares and not sell them for a quick profit, as was widely anticipated.

The council estimates that the total number of shareholders in Britain is still very low at 10 per cent of the adult population, compared with over 60 per cent owning another form of equity—their own homes.

In fact, the council's estimate may be rather conservative. A National Opinion Polls survey commissioned by the Government last February suggested that the figure was 14 per cent, while another survey conducted on behalf of the TSB group in November after its flotation, put the number at 17 per cent (about 7m people).

Since then there has been the huge campaign surrounding British Gas, which alone attracted over 4m shareholders adding weight to the Government's forecasts that there will be 10m owners of shares by the next election.

The number of people actually buying British Gas shares, after all the hype, was somewhat disappointing and British Airways and other forthcoming privatisation issues may not have the widespread appeal of British Telecom and TSB.

Nevertheless, the promotional pressure behind the drive to sell Personal Equity Plans, using the powerful tax-free attraction, and the push by the Stock Exchange to boost business after the Big Bang, should keep the upward momentum going, at least while prices remain so buoyant.

At present the benefits of owning shares directly, with the cuts in commissions and stamp duty reducing the cost, are so favourable, when compared with returns on other possibly safer investments, that the Government's hopes of creating a larger body of little capitalists seem likely to be fulfilled. With surplus cash holdings boosted by the boom in housing, and early retirement or redundancy payments, the attraction of using the stock market to enhance your capital is strong, even though it might be more risky.

The crunch may come when the boom in the stock market finally runs out of steam or if a Labour government is elected. But with the growing internationalism in share trading, there will probably be opportunities in other world markets to make profits, even if the London Stock Exchange turns down. So, once hooked, shareholders may well be less vulnerable than in the past.

John Edwards

Personal Equity Plans

It pays to be cautious

TAX FREE. These two magic words should help the wider share ownership movement receive a powerful boost from the Government's latest weapon to make Britain into a nation of shareholders.

When the Chancellor announced the planned introduction, from the beginning of 1987, of Personal Equity Plans (inevitably known as PEPs) in the March Budget he described it as a "radical new scheme." In fact it is neither radical nor new.

It is, in fact, an inferior sub-standard copy of similar schemes that have been introduced in several other countries to boost share ownership—notably the Loi Monory in France. The French scheme is far superior for the investor in that it gives tax relief on the amount invested, whereas the British PEP version only gives tax concessions on any profits generated from an investment. A very different matter reducing the cost of the scheme to the Treasury considerably.

After the initial surprise—no one had expected such an announcement in the Budget and many people believe it was cobbled together at the last minute—the PEP's scheme received a generally hostile reception. It was claimed to be a political gimmick costing the Government very little and relying heavily on a continued boom in the stock market to win more votes for the Conservatives.

Commentators were quick to point out that the tax free concessions were of most value to the already rich; that the charges would outweigh the benefits for the normal investor; and that in any event the restrictions imposed made it a foolish, and potentially dangerous, way of going into the stock market, especially for the first timer.

It breaks basic investment principles that you should not go into the stock market unless you can spread the risk properly. Otherwise you are basically gambling.

The Treasury made one important concession in response to the outcry. That was to allow up to a quarter of the total portfolio (or up to £420 whichever is the greater) to be invested in unit trusts or investment trusts, so that at least the small investor in particular would gain the security provided by spreading the risk.

It was also agreed to allow investment in USM (unlisted securities market) shares. Otherwise the scheme, in spite of all the criticism, remains the same.

- It is open to anyone over 18 years old; the maximum you can invest annually is £2,400 per person;
- You must invest in UK stocks only (with the exception of the unit trust element which can be based on overseas markets);
- You must receive a copy of the annual reports and accounts of the companies in which you are invested.
- Although you must be beneficial owners of the shares bought under the scheme, you cannot do it yourself but must go through a plan manager, authorised by the Inland Revenue.
- To qualify for the exemption from capital gains tax and tax on dividends and interest you must not take any money until at least the end of 1988. Dividends and interest are reinvested gross (ie tax free).

The plans operate on a calendar year basis, but during the first year of the scheme (1987) you can invest at any stage up to the end of December. For this year only, you are also allowed to keep all your investment in cash (a considerable attraction to high rate taxpayers who can earn the equivalent of over 20 per cent at current interest rates) but during the second year the amount that can be kept in cash is severely limited and you must have made your choice of investments by the end January and any changes in the portfolio must be made within 28 days.

In year three the plan matures and you can make withdrawals, without being liable for tax. You are also entitled to change your plan manager, although many companies will impose an extra charge if you switch or withdraw your money early.

To be fair much of the criticism of the PEPs scheme has come from companies who see little chance of running it profitably since the costs of being a plan manager are formidable. The plan manager is responsible for reclaiming the tax, with all the form-filling involved, and face having to service a lot of investors putting in relatively small amounts.

Initially PEPS was given a hostile reception but subsequent concessions have helped to make the tax-free returns more attractive

Most stockbrokers, for example, are not interested in anyone putting up less than £10,000 as an absolute minimum. However, some sectors, geared up to dealing with small investors or wishing to move into the investment business in a bigger way—like the clearing banks—and later on the building societies see the PEP scheme as a long-term investment worth suffering some short-term losses.

Unit trust groups and stockbrokers are being forced to compete, some with considerable reluctance, and some big names have yet to take the plunge.

Nevertheless, the number of companies and institutions launching PEP schemes has multiplied rapidly during the past few months.

Unfortunately owing to the basic complexity of the PEPs scheme, with its restrictions and limitations, the choice of which scheme to select is a bewildering one for investors.

First you have to decide whether you should go into a Pep scheme at all. This is an individual decision, depending to some extent on your tax position. High rate taxpayers, and those with existing holdings of share or unit trusts, would be foolish not to take advantage of the tax concessions offered by Peps.

The ability to re-invest dividends and interest, free of tax means that any Pep unit trust should be able to perform considerably better than an equivalent normal unit trust and there is no capital gains tax liability, if you have already used up your £6,300 annual exemption.

The disadvantage is that your money is locked away until at least the end of 1988, and in many cases you are offered a restricted choice of unit trusts. Also if you suffer a loss—and as the promotional material always points out the price of units can go down as well as up—then you miss out on a possible capital gains tax loss to offset against other profits.

The questions of buying shares via a Pep scheme, which you have to do if you save more than £35 a month (or £420 a year), is more questionable. The limited number you can buy with a maximum outlay of £2,400 means that you are vulnerable to adverse share price movements even if you choose so-called blue chip companies like Guinness.

Most of the plan managers are offering only a limited choice of shares to help save costs, so the portfolio of a first-time investor is likely to be concentrated on safe, dull, leading companies, who have probably gone ex-growth.

For investors with an existing portfolio of shares, Pep holdings could be used to concentrate on high income yields to take advantage of the tax free dividends. Alternatively if you have a large capital gains tax liability, the Pep scheme could be used to hold high flyers where you might make bumper profits.

If you do not already own any unit trusts or shares, you have to question seriously whether you want to risk your money just for the sake of obtaining a tax concession. You are on safer ground if you limit your choice to unit trusts only—ie put in a maximum of £420 a year only—since they are generally safer with a wider spread of risk and the cost of a Pep scheme is generally much the same as a normal unit trust, with the advantage of the tax concessions that should provide considerable extra value over the years.

First-time investors into shares should be more cautious. You are essentially going into the market with limited choice and you are likely to pay higher charges. Pep schemes generally are an expensive way of share dealing.

Nevertheless it is difficult to look a gift horse in the mouth. During the past 10 years, the stock markets have provided an infinitely better return on your money than holding in a building society or an interest-paying bank account, where composite rate tax is automatically deducted from the interest, reducing the return even further.

The Peps scheme offers the chance of achieving capital growth and income, tax-free by the Government; a plus point which will be an invaluable selling point for companies seeking to boost the attractions of the stockmarkets.

John Edwards

Planning a portfolio

Diversify, then treat investment like a hobby

A PORTFOLIO of shares can be seen as a bit like a wardrobe full of clothes. The wardrobe will contain a sober suit ideal for wearing to funerals, and perhaps a dashing outfit for a party. It will include thick clothes for winter and lightweight gear for hot weather.

The exact proportions of all these, and many more, types of clothes will depend on your lifestyle. So will your investment portfolio.

I am talking here about direct investment in equities. I assume that an investor already has a basic spread of assets including a house, liquidity and life assurance and pension protection before he seriously dabbles in the equity market.

I assume, too, that the investor has a reasonably large sum of money available (say of the order of £50,000) because with small sums the costs of dealing can become high in percentage terms, and it will be difficult to achieve the appropriate spread of risk.

The investor will also need a fair amount of patience and enthusiasm, because the portfolio will require constant attention. He will need to find investment an enjoyable hobby. Otherwise he would be better off buying unit trusts, or placing his money in the hands of a professional manager.

Having decided to buy some shares, the portfolio-builder must carry out some self-analysis. Does he prefer safety, or does he enjoy taking a gamble? Is shortage of income a problem, or can he afford to concentrate on achieving capital growth over a period of several years?

Having decided to buy some shares, the portfolio-builder must carry out some self-analysis. Does he prefer safety, or does he enjoy taking a gamble? Is shortage of income a problem, or can he afford to concentrate on achieving capital growth over a period of several years?

Does he, perhaps, have some special area of expertise or interest which he might turn to advantage? Through his job he might, for instance, acquire knowledge of a particular industry which could be put to profitable use on the stock market.

A basic objective of portfolio building is diversification to achieve reduction of risk. Holding just one or two shares is highly risky because if one of them goes bust you will lose much or all of your money.

Hold too many, however, and your portfolio will lose its distinctiveness. You might as well buy a broadly based unit trust and have done with it.

Moreover, a large portfolio will generate a tiresome volume of dividend cheques to be cashed, interim and annual reports to be studied, and a variety of takeover documents, reconstruction plans and executive incentive proposals.

There is no magic figure, but 10 stocks might be a good number to start with. It will probably tend to increase over the years, but should never grow above 20.

To begin with, it will be logical to buy similar-sized holdings, say 10 investments of £5,000 for the £50,000 portfolio mentioned above. But as the different stocks begin to perform differently, the balance will change.

Bearing in mind, too, the whimsical collections of shares inherited from Aunt Agatha, and the tendency to pick up the odd new issue like British Gas, the portfolio could soon become a mess unless regular housekeeping is carried out, say once a quarter.

All the same, absolute rigidity would be a mistake. It might make sense to carry several small investments in more speculative stocks, which can add greater interest and fun to a portfolio without—so long as the proportion is modest—adding too much to the risks.

Professional investors running institutional funds talk of running a "passive" or "core" portfolio (which may actually be deliberately designed to match a broad stock market index) and an "active" segment which is traded much more intensively.

A parallel approach for private investors would be to put the bulk of their money in a few broadly spread investment trusts, and use, say, a quarter or a fifth of the total assets to follow favourite individual stocks, or the latest tips and hot issues.

It would be inappropriate for small investors to try to run completely balanced portfolios themselves. They will not have enough individual stocks in their portfolios to do so. Nevertheless they should be aware of the bias in the portfolio, or they may fall victims to unsuspected risks.

Professional investors conduct regular so-called "asset allocation" exercises, whereby they try to assess which sectors are more attractive and to weight their portfolios in that direction.

One basic decision concerns the UK versus foreign markets. It would be unwise for the private investor to buy foreign stocks directly, at least without the advice of a reliable broker, in case there are delivery and settlement problems, but he can safely buy a very wide selection of specialised investment trusts and unit trusts.

Within the UK market there are many different sectors, of which the main ones are most liable to shoot off in wildly different directions include energy, banks, electronics, retailing, building and construction, brewing, engineering and leisure.

A sector under-represented in Britain is mining, and so there is a lot of speculative interest in foreign mining companies from time to time, with gold mines forming an important and distinct sub-sector.

One portfolio strategy, therefore, is to try to focus on undervalued sectors, the aim being to sell fashionable (and therefore overpriced) sectors and buy cheap and unwanted stocks.

Certainly the investor will need to watch out that his portfolio has not become stuffed with too many of the same type of stock—like oil exploration, for instance.

But there are many other strategies. Some private investors, for instance, like following small companies. There is certainly evidence that, over the long term, small company stocks give higher returns than those of the corporate giants.

USM companies and other "gamma" stocks may be cheap because they are often too small for the big City funds to bother with them. But the risks are also high, and the diversification rule applies even more strongly here than in big company or "blue chip" investment.

You should also take care to make your own decisions. Don't let an investment salesman force-feed you with an obscure Third Market new issue. He will not be only in the business of giving advice, he will be under instructions from his bosses to get rid of a large block of stock.

Finally, watch out for tax implications. The main objectives here, in the context of portfolio management, are to achieve the best balance between income and capital gains, and to time the realisation of gains in a way that minimises tax.

High rate taxpayers will prefer to invest in low yielding growth stocks, and they may find it worthwhile on occasion to sell shares "cum dividend" rather than "ex dividend."

Investors also need to make sure they take maximum advantage of their exemption from capital gains tax on (currently) the first £6,300 or net gains each tax year. This may mean accelerating or deferring the taking of profits or losses on investments according to circumstances each springtime.

Barry Riley

Investor protection

An Act to bolster confidence

INVESTORS COMING into direct share ownership for the first time often find the situation confusing to say the least. They not only seek advice on which stocks to invest in, but how to go about buying and selling.

The privatisation issues have made the logistics of investing in those particular stocks quite straightforward. It is rather different when it comes to investing in the usual stocks.

The private investor has generally to rely on outside advice. As such the inexperienced investor is vulnerable to the rogue operator. Generally, the firms operating in this field have a good record of dealing with the public. Only a few collapses where investors have lost money have been seen.

Incidentally, it is not just the inexperienced who get caught. Long-time investors who should know better are among the victims.

It was these collapses, resulting in investors losing most of their money that set off the long chain of events that has resulted in the 1986 Financial Services Act—an Act whose underlying purpose is to protect the investor from both the rogues and the inexperienced. Poor advice can lose the investor money as surely as if the adviser absconded with the money.

The underlying objective of the legislation is to ensure that all firms carrying on investment business, from the largest financial conglomerate to the one person operation, are both honest and competent and have adequate financial resources to run the business properly.

The Government has decided that the regulation system under which the Act will operate will be self-regulatory. The main responsibility for administering the Act will fall on the Securities and Investments Board (SIB) which has been busy drawing up comprehensive, and often complex, rules for operation.

It will have working under it five self-regulatory organisations (SROs) covering the whole investment spectrum—the Securities Association (TSA), the Association of Futures Brokers and Dealers (AFBD), the Investment Managers Regulatory Organisation (IMRO), the Life Assurance and Unit Trust Regulatory Organisation (Lautro) and the Financial Intermediaries Managers and Brokers Regulatory Organisation (Fimbra).

No firm will be able to offer investment business unless it is authorised to do so. Authorisation will usually be obtained from the appropriate SRO or if preferred direct from SIB. The two main SROs involved in share dealing with the public will be the TSA covering stockbroking firms and Fimbra covering the financial adviser and investment firms.

SIB has been, for well over a year, producing a plethora of rules and regulations not only covering the actual authorisation procedure but many aspects under which firms go about their business.

The authorisation procedure first of all requires firms to have persons of the necessary expertise and integrity to run the business. The authorisation body can and will require details of the directors and managers to ascertain that they are fit and proper persons to run the business. Hopefully this will ensure that investors get competent advice from persons of integrity, with the process weeding out those persons likely to run off with the assets.

Next the firm needs to have sufficient assets to run its business properly — this will remove any temptation to manipulate the clients' money because of funding problems. The firm will have to have its accounts regularly audited in a prescribed form so that the regulatory bodies can easily check on the continued financial health of the firm.

The shareowner does not want to see his assets disappear into the maw of a liquidator if his investment firm runs into financial difficulties.

The underlying objective of the legislation is to ensure that all firms carrying on investment business, from the largest financial conglomerate to the one-person operation, are honest and competent and have adequate financial resources to run the business properly.

However, the biggest single protection for the shareholder is that firms must keep separate clients' accounts. They will not be allowed to mix the firm's money with the client's money. The audit procedures are designed to ensure that this separation of money is maintained at all times.

Further rules to protect the investor relate to the methods of marketing which investment firms can use. Firms dealing in direct share dealing cannot make unsolicitated calls to existing clients or to find new ones. This cold calling, which includes telephone inquiries, is only being permitted for life assurance and unit trust selling and there are safeguards to prevent dual purpose salesmen from using this exemption to canvass other forms of investment.

This restriction could hamper the adviser in his dealing with clients when speed is essential in handling a particular investment opportunity. Clients with a long standing relationship with their adviser can have a client aggreement for contacts on a cold calling basis — agreements which have to be renewed each year.

Investment firms have to conform to strict rules over the advertising of investment business and products, making it clear who they are and what they are offering. In particular, share tipping sheets, unless a part of a regular newspaper, will be subject to strict controls.

Firms, as a condition of authorisation, have to take out a minimum amount of professional indemnity insurance. This is intended to ensure that clients will be financially compensated if they are successful in suing their adviser for acting in an unprofessional capacity. This, however, means far more than just giving investment advice that turned out to be wrong.

SIB is setting up a Financial Services Ombudsman who will have power to hear complaints and award compensation up to £100,000 if the complaint is upheld.

One can set up the most complex set of rules imaginable. They will defer, but not remove the dishonest operator. There are so many firms operating in this field that the regulatory bodies will have to be exceptionally vigilant to weed out every potential crook. So as a safety net, SIB is setting up a compensation fund to reimburse private investors who lose money because the investment firm though innocent of dishonesty is put into liquidation. The proposal is for compensation in full for the first £30,000 and 90 per cent of the next £20,000.

All this administration to protect the investor will cost a lot of money which at the end of the day falls on the consumer. Many experienced investors feel that they will be paying for protection that they do not need. SIB has agreed a category of professional investor, who can agree not to be covered by the provisions of the Act, including no compensation, in return for lower charges from the investment firm. But he must be known to the firm to qualify as a professional investor.

Eric Short

• WEEKEND FT REPORT •

Understanding the FT

In the pink, and unbeatable for 'random access'

ONE DAY, perhaps, all the financial information an investor could want will come out of a terminal in the living room. Already, of course, professional investors have banks of screens and keyboards on their desks to give them the up-to-the-second, or "real time," data that they must have.

But even the professionals find it extremely useful to have a Financial Times handy, because even if ink on pink newsprint might seem rather old hat as a data storage medium, at 40 pence a day it vastly undercuts electronic databases, and for convenience of "random access" it must be unbeatable.

With the FT, you don't need to fumble with keyboards and try to remember obscure codes and keywords. All the same, its statistical pages do have their tricks and technicalities, and the amateur investor may sometimes have difficulties in finding his way around.

For serious amateurs, it could be worth knowing that the FT publishes, in book form, a special guide to the newspaper's statistical services*. Otherwise, here is a brief introduction to the paper's services.

It should be pointed out that the FT's statistical content is constantly changing along with the rapid evolution of the financial markets. Recently, for example, "Big Bang" opened the way to publication, for the first time, of daily volume figures for trading in major stocks in the London equity market.

Elsewhere the FT is about to launch a brand new world stock market index, a global equivalent of the FT-Actuaries All-Share Index, in response to the upsurge in international investment.

But for the British stock market investor the focus of the FT's statistical service has always been, and remains, the two-page spread of prices in its London Share Service (not strictly all shares, because the pages include prices of gilt-edged securities and a number of other fixed income bonds).

The service is not just a list of the previous afternoon's closing prices, but provides high and low quotations for the year, the annual net dividend payments per share, and three statistical measures of each share's value.

These three are the multiple by which the dividend is covered by earnings, the gross yield per cent, and the ratio of the price to the per share earnings (P/E ratio).

Putting it simply, the higher the first two are, and the lower the third, the better. But a lot depends on the quality of earnings rather than the actual amount, so comparisons between shares require sophisticated judgments.

The London Share Service allows investors to follow the progress of their shares day by day, but a number of useful supplementary tables are provided on the London stock market report page a few pages from the back of the paper (except, of course, on Mondays).

There are various indices, including the hourly movements of the FT Ordinary (or 30-share) Index, as well as the many sectoral indices in the FT-Actuaries series. The lists of new highs and lows are widely followed, and there are tables of prices of recent issues.

Big Bang opened the way to publication, for the first time, of daily volume figures for trading in major stocks in London. Elsewhere the FT is about to launch a brand new world stock market index, a global equivalent of the FT-Actuaries All-Share Index.

This page also includes a table on London traded options, at present a booming market which has benefited from the upsurge in professional hedging post-Big Bang.

Options can have an appeal for those investors wanting rather more exciting action (for better or worse) than can be obtained in the normal or "cash" market. But a degree of specialist expertise is required to interpret the potential opportunities offered by the large numbers of quotes in the table; they relate to options at various underlying security prices at various dates up to nine months ahead.

In between the London Share Service and the stock market page come the unit trust prices, now running to very nearly three full pages. Roughly speaking, a third of the prices relate to straightforward UK authorised unit trusts, a third to insurance units and bonds, and a third to offshore products.

But look out, too, for one or two smaller categories, notably the tables for money market trust funds and money market bank accounts, which give a snapshot of the current rates available for short-term money.

These pages offer the most comprehensive readily available guide to collective investment products of all kinds. Many are updated every day, but investors should be aware that some smaller funds (especially offshore) may only be dealable in weekly or even monthly.

Moving forward through the paper (the way many professional investors read it) and passing the stock market report page once again the reader will come to the currencies, money and capital markets page.

Currency exchange rates are printed here daily (and there is a particularly comprehensive World Value of the Pound table every Tuesday including every rate from Afghanistan to Zimbabwe with about 200 other countries in between).

This page also features various financial futures markets, including the London market Liffe, the Chicago markets and the Amsterdam-based European Options Exchange. Like the London Stock Exchange's traded options market, these require expertise, although they all have a substantial participation by private investors.

The same applies to the commodity futures markets listed on the opposite page. Most of the data relates to the London markets, although the transatlantic markets of Chicago and New York are also prominent.

One more page forward brings the reader to the World Stock Markets page. This gives a snapshot of leading prices on a score or more overseas stock markets, although for space reasons it cannot be as comprehensive as the FT would like.

Foreign companies compete fiercely for a listing, which is granted only to the biggest or most actively traded companies in each market.

Investors interested in overseas markets will find it helpful to look at the table of overseas stock market indices published on this page. It is not easy for the amateur British investor to find out what is going on in, say, Norway or Spain. This page is a unique source of information.

Finally, it is worth pointing out that the FT's Saturday edition is markedly different from the Tuesday to Friday papers. The order of the statistical material may vary. But more than that, the Saturday paper contains extra information designed to be of particular relevance to the private investor who may not study the markets every day.

Thus page II of the Weekend FT section includes a table of highlights of the previous week and an assessment of the company results due to be announced.

The first section of the Saturday paper features a weekly list of dealing in those more obscure securities which are not featured in the London Share Service.

It also includes a valuable table of leaders and laggards derived from the sector indices of the FT-Actuaries series. The curious fact is that metal bashing (actually described as metals and metal forming) was the best sector in calendar 1986, with a 47 per cent gain, while exciting and glamorous telephone networks was the worst performer with a decline of 4 per cent.

It doesn't seem possible. But rest assured that these are genuine FT statistics.

Barry Riley

*A *Guide to Financial Times Statistics*, published by Financial Times Business Information. Tel. 01-251 9321. Price £11.50.

Richard Branson heralds Virgin's share issue. The City was unimpressed by the razzmatazz.

New issues

Not always a road to rich pickings

If the price is set too cheaply, the shares will soar and the company will berate its advisers for selling it short. If the price is too high, the shares will sink and the company will be cursed with the stigma of having flopped.

THE FLOTATION of British Telecom two years ago—and the profits which it brought for over 2m small investors—triggered a remarkable upsurge of interest in new issues.

So are new issues the passport to wealth which they are sometimes made out to be? And is it possible for the inexperienced investor to pick out the winners?

In theory at least, new issues should provide the opportunity for easy gains. After all, if a company comes along to the market asking people to buy its shares, it has to give them a good reason for doing so—especially when, unlike other quoted companies, it is a wholly unknown quantity as far as share price performance is concerned. To make sure all the shares are sold, it therefore has to offer them at a discount to what the market perceives as their "real" worth.

It is notoriously difficult to get this pricing right. If the price is set too cheaply the shares will soar when dealings begin and the company will berate its advisers for selling it short. If the price is too high, the shares will sink and the company will be cursed with the stigma of having flopped on its flotation. The trouble is that the big money in the City tends to move in unison, so issues tend either to be wildly oversubscribed or virtually boycotted.

When dealings begin and the successful issue goes to a premium, it is not because private investors are buying in the marketplace. It is because the big institutional investors have been rationed in the allocation of shares and want to top up their holdings to a reasonable size. The shares they buy are being sold by stags—people who buy new issues specifically with the intention of selling for profits as soon as dealings begin.

Stags are not a new phenomenon, but they have certainly become more widespread in recent years. This is partly because the strong bull market has increased new isssue activity and made big premiums more commonplace, and partly because the Government's privatisation programme has introduced the joys of stagging to hitherto inexperienced investors.

The notion that new issues are an easy road to rich pickings is, however, false. The accompanying table, which shows the price performance of the 17 flotations most likely to have appealed to small investors in 1986, shows that almost as many of the issues were flops as successes.

Three of the best performers were the television contractors—Thames, TV-am and Yorkshire—each of which went to healthy premiums and continued to climb against a background of buoyant television advertising revenues.

Wellcome, the pharmaceutical group, has been a strong performer, not least because of the progress of its research into sexually-related diseases, and Andrew Lloyd-Webber's Really Useful Group attracted a fan club. TSB, of course, shot to a very high first-day premium but has fallen back since, while British Gas has more than sustained the premium on its first-day close.

On the other side of the coin, however, merchant bank Morgan Grenfell proved to be acutely accident-prone not just with its own flotation in July but also with its sponsorship of the Avis Europe and Virgin flotations later in the year. Antler, the luggage company, Mrs Fields, the US cookie vendor and Ryman, the stationery retailer, all turned sour on the unlisted securities market (although Ryman has perked up a little since), while on the main market GT Management failed to find support and European Home Products, the Singer sewing machine distributor, ran into unfavourable publicity about the former activities of its chairman.

One argument sometimes advanced in favour of stagging new issues is that the discounts incurred by the flops tend to be outweighed by the premiums earned by the successes.

On the face of it, this is true: and yet this argument ignores a vital point. The successful issues are by definition heavily oversubscribed, whereas investors unfortunate enough to have subscribed for shares in a flop receive all the shares they have asked for whether they like it or not. Any new issue portfolio therefore automatically assumes a heavy and unwanted bias towards its least successful components.

The solution to this problem, of course, is to ensure that only the winning issues are selected for the portfolio. This is not an easy thing to do, but it is possible to offer a few pointers.

• Leave your application until the last possible moment to minimise the chances of something going wrong after you have parted with your money.

• Read the financial press assiduously in the run-up to the flotation and prefer new issues where comment is unanimously favourable. One adverse report can damn a flotation: European Home Products flopped largely because of a single hostile article in the business section of the Observer.

• Try to supplement your newspaper reading with some direct feedback from the City. Avis had a generally favourable press but flopped because the institutions thought it was overpriced. A good stockbroker might have picked up the warning signals.

• Beware of razzmatazz; it never impresses the City and often heralds a flop. For all the hyperbole over Virgin, the City saw it as fundamentally an unexciting business and the issue was only modestly oversubscribed.

• Avoid tender offers: they are more trouble than they are worth and rarely deliver particularly good returns. Look at Really Useful, Morgan Grenfell, Ryman and Virgin.

• Watch the stockmarket closely between the publication of the prospectus and the closing date. An issue is far more likely to succeed in a rising market than a falling one.

• Above all, be a sheep. There is nothing quite so frustrating as sitting on a hefty discount while waiting for the market to share your appreciation of a company's fundamental worth. The art of making money out of new issues lies in spotting the ones which everyone else thinks are going to be a success.

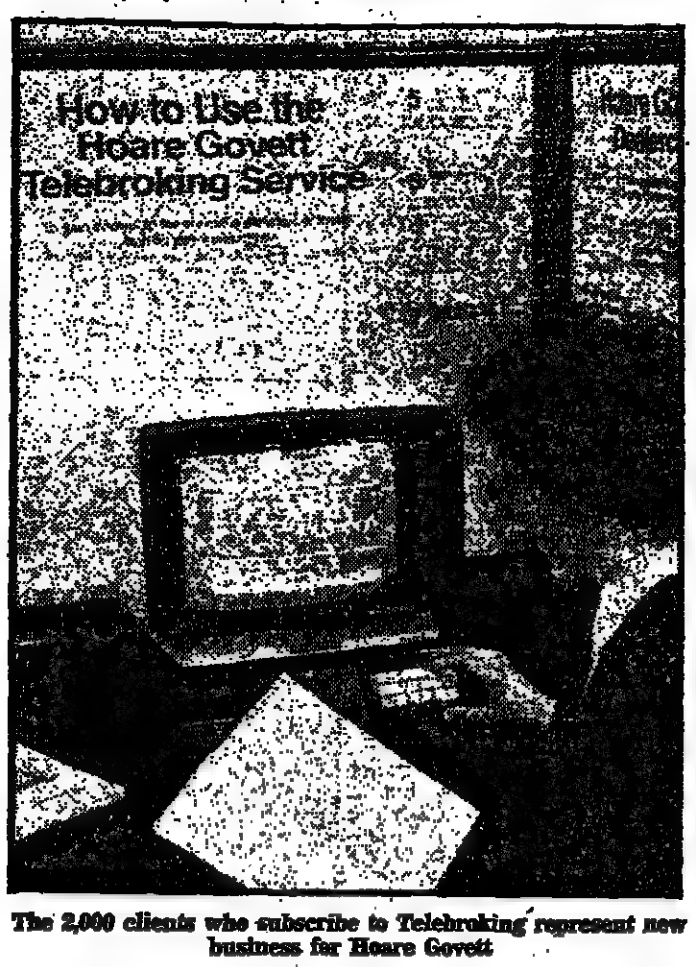
Richard Tomkins

RECENT ISSUES

Company	Dealings began	Issue price	Close on first day	Price now (8 Jan)	Premium (discount) now
Really Useful	21 Jan	†330p	340p	361p	9%
Wellcome	16 Feb	120p	160p	265p	120%
*Antler	9 May	130p	125p	113p	(13%)
*Mrs Fields	28 May	140p	126p	134p	(4%)
Thames Television	2 Jul	190p	230p	312p	64%
Morgan Grenfell	3 Jul	†500p	485p	385p	(23%)
*TV-am	23 Jul	130p	141p	223p	71%
GT Management	23 Jul	210p	195p	206p	(2%)
Yorkshire Television	5 Sep	125p	150p	194p	55%
Euro. Home Products	15 Sep	160p	140p	141p	(12%)
TSB	10 Oct	‡50p	85½p	76p	52%
*Ryman	16 Oct	†110p	105p	123p	12%
Mecca Leisure	23 Oct	135p	144p	161p	19%
Avis Europe	6 Nov	250p	239p	234p	(6%)
Virgin	21 Nov	†140p	140p	133½p	(5%)
Geest	27 Nov	125p	154p	172p	38%
British Gas	8 Dec	‡50p	62½p	65½p	31%

*USM flotation. †Striking price on tender offer. ‡Partly paid.

• WEEKEND FT REPORT •



The 2,000 clients who subscribe to Telebroking represent new business for Hoare Govett

Home Broking

Slow growth of armchair brokers

A growing interest in share ownership coupled with increasing technical literacy suggests that homebroking might eventually become a useful market

WITH OFFICIAL encouragement to expand the share-owning base of the public to take in even the smallest investors, it is perhaps surprising that only a few stockbrokers have so far developed services which offer share information and facilities for buying and selling stocks through terminals in the home.

While the share shops set up by brokers like Quilter Goodison have attracted a good deal of interest from the clearing banks and others, the notion of home broking so far has not gathered widespread support.

However, the brokers which do offer these services appear to be enthusiastic about their response, and they have gained as clients a sector of the market which they probably would not have otherwise attracted.

The reason for the slow take-up in home based services lies more in the delivery medium—videotex—rather than in the services themselves. Videotex has been singularly slow to get going in the UK, and Prestel, the public videotex network on which most of the home banking and broking services are delivered, has not yet developed a really large subscriber base.

Nevertheless, increasing technical literacy, coupled with a growing interest in share ownership, suggests that home broking might eventually become a very viable market, and is certainly one worth watching.

Among the stockbrokers who offer home broking services is Hoare Govett, which as long ago as June 1984 launched Telebroking. The service is delivered via Prestel's Citiservice on a television screen or home computer and is offered free for the first year, on the basis that each client will put four or five bargains through the firm during the year. If no business is forthcoming, then a charge of £75 is made for continued use of the service.

Clients, who are almost all new to the firm, can access a database 24 hours every day, offering market commentaries, company information, and recommendations. The service includes UK stock prices including the FT 30, leading gilts and other stocks and an international commentary covering Japan, Hong Kong, Singapore, Australia and the US.

Two additional developments to the service are portfolio evaluation and a price monitoring service, but perhaps the most attractive advantage which Telebroking offers is the ability to place, buy and sell orders at any time from home. Clients stipulate limits of quantity and value, and identify themselves by use of a special PIN number and code.

"If instructions come through during business hours, they are acted on straight away," says Mr Doug McGregor, chairman of Hoare Govett Financial Services: "If not, the information is stored until the opening of the relevant market."

Rather than drawing any of the firm's traditional clients to the Telebroking service, the reverse has actually been true, although not on a sizeable scale. "Around 100 Telebroking clients have become portfolio clients with the firm," explains Mr McGregor.

Certainly the 2,000 clients who subscribe to Telebroking represent new business for Hoare Govett. They form a wide spectrum of the public from the technology-conscious young investor to the retired person with time to study a portfolio in detail.

"We have done some target marketing," explained Mr McGregor, "but of course people have to be Prestel users as well." Most of Hoare Govett's Telebroking clients were obtained through advertising or attracted through Prestel.

Another Prestel-based service is that provided by Scrimgeour Vickers as part of the Nottingham Building Society's home banking service. This differs in a number of ways from Hoare Govett service, most noticeably in its payment methods, since clients can settle through their Nottingham accounts.

"At the moment, we offer an electronic newsletter, research which is updated either daily or every other day, and services such as market reports and company analysis," explained Mr Barney West, associate director at Scrimgeours. "As yet, we don't offer a price information service, but clients can access this from Prestel's Citiservice. So far, we're very encouraged by the response we have found."

Scrimgeour Vickers have the considerable advantage that anyone using their service already subscribes to home banking and has money to invest. "Clients must have a minimum balance of £250 with the Nottingham Building Society before they can subscribe," commented Mr West, "and access to Scrimgeour Vickers' Homelink database is free of charge."

But by the same token, allying the service to another institution has its restrictions. Are there any plans to offer an independent home broking service?

"This is an area we are certainly investigating," says Mr West. "However, any such move wouldn't count out existing ties."

Scrimgeours have found that a good many of their 2,000 or so customers for this service have been first time investors, encouraged by issues such as British Telecom, the TSB and British Gas. While first time investors may be excited by the idea of owning shares, they also require a lot of information about the market and trading advice. However, as Mr West points out, a large portion of the users are in fact experienced investors who prefer the convenience of the 24 hour service to conventional methods.

"We're introducing a lot of the PEP schemes through the service," he commented. "We will use the database to keep customers up to date on our research and on our opinions of the companies within our PEP schemes."

Scrimgeour Vickers guarantee to act on an order placed via a terminal within an hour if the market is open, and as soon as it opens if the order is placed overnight. Orders are confirmed through electronic mail, and payment both ways is effected directly between the Nottingham Building Society and the brokers.

Another major firm which has been offering a home broking service is Barclays de Zoete Wedd. However, their Shareline service, which was a closed user group, has now been reviewed and is to be replaced from February 1 by an initially smaller service on Prestel aimed at opening up public access to the information. Eventually, the number of pages will be increased, the idea being to reach a greater number of people through the service.

Ms Michelle Geiser, who is responsible for information services at BZW, explained that the new service, which has yet to be named, will also be supported eventually by a variety of closed user groups.

From February, the BZW service will provide 150 pages on Prestel, open to anyone for a page charge, and these will eventually be complemented by the closed user groups offering more detailed analysis, recommendations and so on. The closed user group's services will be offered to clients for a fee, and they will be issued with special access codes.

At the moment there is no facility for placing buying and selling orders over the service, but this is under discussion.

The closed user groups will probably be provided by Barclayshare and Broker Services, both subsidiaries of the BZW Group. However, discussions have not been finalised yet, and there is the possibility that other companies may take pages on a closed user group basis also.

Home broking services without doubt can provide brokers with an opportunity to reach new groups of clients, particularly small or first time investors, and intermediaries, but since its growth is somewhat dependent on the widespread use of videotex in the home, it will probably be some time before the notion of armchair broking becomes a nationwide popular reality.

Elizabeth Sowton

Elizabeth Sowton is Editor of Banking Technology magazine.

Tax Implications

Few perks for shareholders

Although most investors are likely to be exempt from Capital Gains Tax, because of the present allowance of £6,300, some of the tax regulations can be of a complex nature

YOU WILL generally be looking for income and capital growth from your investment. The relative importance of each will depend upon your particular circumstances.

The tax system may, however, encourage or direct your investment by providing a tax deduction for the amount invested or ultimately lost, or by relieving from tax some or all of the income or capital growth subsequently generated.

Personal Equity Plans (PEPs) apart, general portfolio share investment receives no incentives.

In particular, you obtain no deduction from income for share investment, even under a PEP. The exception is new equity capital subscribed in a Business Expansion Scheme (BES) qualifying company. Under the BES, you may deduct up to £40,000 per annum from your income for such investment. The field is, however, limited to certain unquoted companies and will not, therefore, be everyone's choice.

If you acquire shares on beneficial terms through your employment, you may incur an immediate income tax change. A further such charge may arise on the increase in value of the shares over a period of seven years. You will not, however, suffer these consequences if you acquire the shares under one of the three Inland Revenue approved share option or profit-sharing schemes.

The most immediate tax consequence of your share acquisition is likely to be the half per cent transfer duty charge on the purchase consideration. Purchases and sales of shares now attract a half per cent duty in most cases even if not completed with a transfer.

The price you pay, together with incidental costs of acquisition and disposal, such as commissions and stamp duty, will form the basis for calculating your gain or loss on an ultimate sale.

Unless, unusually, you are dealing in shares, your liability will be to capital gains tax. Your acquisition costs are now adjusted for inflation over your period of ownership. You treat as a single holding all shares of the same type (for example, all ICI Ordinary £1 shares) which were acquired on or after April 6 1982.

Their acquisition costs are aggregated accordingly. Any such shares acquired earlier form a separate holding (with special rules for any pre-April 6 1965 holdings). Pre-1982 holdings do not qualify for any inflation adjustment.

Your sales come first from your post-1982 holding before any earlier holdings. If you sell part of your post-1982 holding, the aggregate acquisition costs are apportioned between what you sell and what you retain. Thus, if you acquire 100 shares in Widgets plc at 80p each and subsequently make two further purchases of 100 such shares at 85p and 95p each, your total cost for 300 shares is £260. On a sale of 150 shares, the cost allowed is £130.

The total costs are separately adjusted for inflation each time you add to (by purchase or on a rights issue) or sell from the holding. On a sale you add the appropriate proportion of the total inflation adjustment to date to the cost.

You avoid the complexities of these rules if your gain is exempt. Exemption extends to reinvested gains within a PEP and to gains on BES shares subscribed after March 18 1986. Each single individual and married couple also receives an annual Capital Gains Tax, currently £6,300. This is likely to cover the majority of individual investor's gains.

It enables you to realise capital profits year by year on a tax free basis and to sell and repurchase, without CGT cost, to uplift acquisition costs while maintaining your overall level of investment. Proper records of your purchases and sales should always be kept.

As a UK resident individual you are entitled to a tax credit in respect of any dividend from a UK resident company. The tax credit is currently at a rate of 29/71sts of the dividend and it discharges your basic rate income tax liability on the aggregate of the dividend and tax credit, which you must treat as income.

You will, accordingly, be subject only (if at all) to the higher rates of income tax on that aggregate. To the extent that the credit exceeds your liability to tax, you may obtain repayment of a corresponding part of it. Thus, as dividends on shares within a PEP are exempt, the tax credit will be repaid in full.

A bonus issue will normally give rise to no tax consequences unless you renounce your rights for payment, when a CGT adjustment will occur. If, however, the company has made an earlier repayment of capital, the bonus may be treated as a dividend.

You are also taxed on shares offered as an alternative to a dividend in the same way as a dividend. Shares may, however, offer some 'perk', as for example a discount on the company's services, and shareholder benefits have been a feature of some recent privatisation issues.

Such shareholder perks represent one of the few real tax benefits still obtainable by individuals.

Malcolm Gammie

Peter Gillman explains why he succumbs to the call of danger in the Highlands

Midwinter madness on the mountains

WHILE most of the national has huddled indoors, the current cold spell has meant plenty of action for the Glencoe Mountain Rescue team. Last weekend, for example, they were called out to rescue five climbers high on Buchaille Etive Mor, the magnificent peak that stands sentinel at the entrance to Glencoe.

The climbers were attempting one of the classic winter routes of the Scottish Highlands, Crowberry Gully, and the rescue was the culmination of three weeks on almost permanent standby for the Glencoe team, with three of the most serious accidents occurring on the same day.

Heavy overnight snowfall sent a major avalanche thundering down the flank of Sron na Creise, the neighbouring peak to Buchaille Etive Mor, which caught three climbers in its path. Two managed to struggle free but the third was nowhere to be seen. After searching with dogs and snow-probes the Glencoe team found him under six feet of snow but he had died of suffocation.

The day's other two call-outs were to climbers who had slipped and broken limbs. Meanwhile, another climber died in an avalanche on Ben Nevis, 25 miles to the north, and a third in the Torridon mountains in the far northwest.

The stories of the accidents brought a familiar set of headlines. "Winter madness" probably ranks with motorway madness as a condition that baffles the experts and general public alike. Who are these people who seem to want to hurl themselves to their deaths? Are they mad?

To the outsider, the attraction of summer climbing in Scotland may be easy to see. Few tourists driving through Glencoe can fail to be stirred by the sight of the Three Sisters, the massive buttresses that lie like sleeping giants across the glen.

But in winter, Glencoe wears an entirely different aspect. The Three Sisters, clothed in white, appear utterly forbidding, and the frozen glen looks as if it owuld have tested Scott of the Antarctic. Why venture into such a wilderness instead of hurrying home to your fireside?

The answer lies partly in the very outlandishness of the experience. You pull on layer after layer of clothing, from thermal vests and longjohns to leggings and anoraks, with balaclava helmets and thick, oil-impregnated mittens known as Dachsteins.

Your boots are usually of double thickness, with a wool-and-leather inner and an outer shell that these days is usually made of plastic. To their soles you clamp a set of spikes known as crampons, and you carry an ice-axe in your hand. In your rucksack you pack further survival equipment: extra clothing, food, maps, compass, and a whistle to summon help if needed — six successivo blasts is the emergency call sign. By now you are cocooned in a life support system to rank with an astronaut's.

Let me describe a climb on Bidean nam Bian, at 3,766 feet the highest peak in the old Scottish county of Argyll. As we scrunch across the floor of the snowbound glen our senses are already alert to the new sights and sounds.

"The cold spell has meant plenty of action for the rescue team"

First comes a steep ascent alongside a frozen burn, in the summer a foaming torrent, now a baroque staircase of ice. At the top we pass through a narrow defile to enter another glen. The peaks around us have assumed an Alpine grandeur, etched against a brilliant blue sky. At the head of the glen rises the Bidean itself, guarded by a gleaming cliff known from its shape as the Diamond Buttress. There are several ways of access, the most enticing a slanting gully that appears from behind a rock pillar at its foot.

The gully seems to take us into the heart of the mountain, burrowing its way between sheer walls festooned with monstrous icicles. It rises easily at first but then gradually steepens, straining calf-muscles as we balance on our crampon-points. It is crowned by a snow cornice which we chop through with our ice-axes.

We have been disgorged on to the Bidean's summit ridge, its rocks embellished with feathery ice confections created by the wind. The surrounding peaks and ridges extend beneath us like billows in a stormy sea. This view is our privilege and our prize, providing a charge to sustain us not only through the long drive back south but far into the weeks of city life ahead.

In mountaineering terms, the ascent of the Bidean via the Diamond Buttress Gully ranks as one of the most straightforward, not even requiring the use of a rope. As standards and equipment have soared in the past decade, today's younger and fitter climbers now ascend vertical ice with aplomb, and there are winter routes in Glencoe and on Ben Nevis to compare in severity with anywhere in the world.

The special Scottish dimension rests in the weather, which can be Arctic in its severity. Last winter, as a high-pressure system settled over Scotland for much of January and February, it was perfect for weeks on end. But it is at least as common for the Highlands to be swept by Atlantic gales which multiply the hazards of winter climbing.

One winter I climbed Buchaille Etive Mor by a route known as Curved Ridge which passes the foot of Crowberry Gully and then runs by its side. The route itself is comparatively sheltered, but we were left uneasy by the sight of snow squalls gusting horizontally past above the glen. When we gained the summit ridge we were greeted by a wind of cataclysmic power.

We sank to all fours and scuttled to the summit between the worst of the gusts. Then we battled our way towards a col some 400 yards distant, sensing that at any moment we could be lifted bodily into the air. At the col we sank into the snow with relief before descending feeling duly awestruck at the elemental forces we had encountered.

A few weeks later three climbers reached the summit in an even worse wind. They were overwhelmed before they managed to reach the col and died of exposure and hypothermia.

Another time I set off to climb the adjoining peak of Buchaille Etive Beag. This was an atrocious day with a sleet-laden wind scouring the mountain from the west. After two hours' climbing, although the summit was not far ahead, we decided to retreat.

Yet even though we had made the safe decision, danger awaited us. Near the start of the climb we had crossed a burn that carries much of the storm water from both the Buchaille peaks. When we returned it had doubled in size. After sizing up the best crossing place we waded through the freezing thigh-deep surge, bracing against it with our ice-axes, to gain the far side. Every Scottish winter brings several deaths from drowning in similar circumstances.

As such episodes show, even though you may feel you are climbing safely, the mountain can lure you on while adverse conditions overtake you unawares. Climbers like to tell each other that if you obey the rules there is little that can go wrong, but with a toll of around 30 deaths a year there is no escaping the fact that climbing is a risk sport.

Among the rescue teams themselves there is no thought that the sport should be banned. "We're all climbers ourselves," says Hamish MacInnes, the leader of the Glencoe team. "And one of the points of the sport is the feeling of freedom it brings."

FOOD FOR THOUGHT

Pudding and pies

I SOMETIMES think Charles Dickens created our folk image of the English winter scene almost single-handed. His evocations of crips snow, fiery hearths, succulent roast geese, and "seething bowls of punch that made the chamber dim with steam" have become so firmly implanted in the tribal memory that it is impossible to separate the ritual from the Victorian social trappings.

But Dickens was not alone among English writers in his delight in food and drink. Their substance and symbol litter the pages of Macbeth, Tom Jones and Wind in the Willows. In the hands of Oscar Wilde cucumbers, cakes and crumpets become instruments of social revelation. Parts of novels of Evelyn Waugh read like extended menus. P. G. Wodehouse even named some of his characters after staples of the English diet.

Everywhere in English literature, there are references to food, in variety and abundance. If internal evidence is anything to go by, it is as important to us as it is to French. Indeed, in the 14th and 15th centuries, English cooks were the culinary kings of Europe while French chefs were mere also rans.

Not much of this may be immediately evident to the outsider. It would be idle to maintain that roast beef and Yorkshire pudding, cockaleekie soup and apple crumble are really a match for feuillet d'asperge au beurre de cerfeuil, becasse Sacha Guitry or soufflé au violettes imperiales.

Nevertheless, no one who has listened to debates on the merits of the Loch Fyne, Manx or Craster kippers; or who has been made aware that there are schools of thought, quite as rigorous as the schools of philosophy in Ancient Greece, as to whether you put salt on your porridge, or cream and brown sugar, or molasses and cream, or salt and butter, or any combination of these, can escape the conclusion that how we eat or what we eat is as important to this country as any parliamentary motion, and of rather more immediate consequence.

The truth of the matter is that the fundamental characteristics of any nation find their expression in their eating habits. The French, for example, upholding the traditions of Voltaire, Montaigne, Descartes and the Marquis de Sade codify their physical appetites into a gastronomic treatise, embellished with grace notes. For Italians, a meal is a four act opera with plenty of heart. Americans, producers and products of the quinessential consumer society, consume all the time. Germans approach each meal as if it were going to be their last. As for Russians, Belgians, Poles, Iranians, Soloman Islanders, Sikhs and Zanzibaris, it is quite possible that you could plot their entire histories by examining their diets.

With this in mind, when you begin to look at British eating habits, it is impossible not to be struck by the number of meals we can have if we want to: breakfast, elevenses, lunch tea, dinner and supper; all interspersed with the indefinable, but indispensable, all-purpose snack. At first sight this might seem to be a simple catalogue of greed, but nothing could be further from the truth.

Together they make up a formidable structure within which we voluntarily restrict our appetites. In effect we have codified and ritualised our physical appetites and have given them social form and function; and that is the true measure of the importance that we, as a nation, attach to our food.

Of course, each generation rationalises the habits of those that went before, in keeping with their own social outlook. The later Victorians and Edwardians built a vast cornucopia of indulgence upon Dickens' more homely revels.

In our own time, the rise in coronaries and heart disease has led to diet colas paralleled by the decline of cakes and crumpets. While porride, kippers, toast, butter and marmalade for breakfast may seem the height of indulgence to us, they are merely the skeletal remains of the omelettes and devilled kidneys and "little fishy messes in shells" . . . . . "and then ham and tongue and a slice of ptarmigan, followed by scones, honey and marmalade.

But even as we trace the crescendi and diminuendi of what we eat, we should be aware. That when and how we eat has changed only a little. There is a formality and a structure that links the baroque consumption of earlier generations to the more austere nibblings of today.

Peter Fort

Arthur Hellyer visits a French micropropagation unit

Roots of the growth industry

Gardening

RETURNING from Carcassonne last autumn I broke my journey for a brief visit to the George Delbard nursery near Commentry right in the centre of France. There are, in fact, two nurseries totalling 1,625 acres and growing a wide range of plants but with roses and fruit trees predominating. In the short time I had I concentrated on the latter since in some ways the developments are unique.

Delbard are breeders as well as propagators and in both spheres they operate on a large scale. What impressed me most of all was the micropropagation unit, the largest I have yet seen, employing about two dozen women on pricking out alone with all the appropriate back up of scientists and technicians. The women work in two eight hour shifts the first starting at 5 am, and the second at 1 pm, and it is all run with the level of hygiene one would expect in an operating theatre. I was only able to watch through sealed windows and then only after covering my shoes with polythene bags lest I brought any dirt into the outer building.

The growth chamber, in which the tiny fragments of tissue are first made to proliferate and then to form roots according to the hormones with which they are supplied, is automatically controlled both for heat and light and is just as carefully insulated from any possibility of infection. I was also shown the extensive area in which the little plants are weaned from nutrient jelly into peat compost before they are removed to conventional nursery frames.

This unit was built in 1980 and, after enlargement in 1983, now has the capacity to produce 5m plants per annum. Much of this appears to be required for Delbard's massive production of fruit rootstocks and rose bushes for its own sale but a note in the firm's handsomely produced "Professional Fruit Growers Catalogue" states that they are prepared to study micropropagation for any fruit tree variety or rootstock.

Why this great concentration on tissue culture? Delbard claim a number of advantages including a couple which were new to me. These are that micropropagated fruit rootstocks have an upright habit which makes the method of grafting known as "budding" easy and that the root system is exceptionally well branched. They stress the great speed of increase. Starting with a single bud it would, they claim, be possible to produce hundreds of thousands of plants in a single year. Such a vast rate of increase would most likely be wanted for a new rose variety developed for the cut flower market in which Delbard is particularly interested.

Delbard also points out that, since propagation can continue throughout the year without regard to season, staff can be kept in constant employment and what is off-season production for the Northern Hemisphere is on season for the Southern Hemisphere. I gather that the firm sells a lot of nursery stock to South and Central America.

One claim they make does not seem to me to be fully justified. It is that freedom from virus infection is guaranteed since the meristem, from which the propagating material is obtained, is virus free. This depends a good deal on how fast the meristem is growing and how much of it is used. It is certainly true that tissue culture can be used to clean up virus infected stock but it is not, of itself, a guarantee that all the new plants will be virus free.

I was interested to discover that all the apple root stocks being used were varieties raised in England at the John Innes Horticultural Institution or the East Malling Research Station. Most of the popular ones were there; M26, specially recommended for replantation; M7, not much used in France as yet but useful, Delbard claims, for its collar rot resistance; M106, described as early and very heavy bearing and, surprisingly, as resistant to asphyxiation, and M111, vigorous, well anchored but very susceptible to asphyxiation. It would seem that some French fruit growers must have considerable drainage problems.

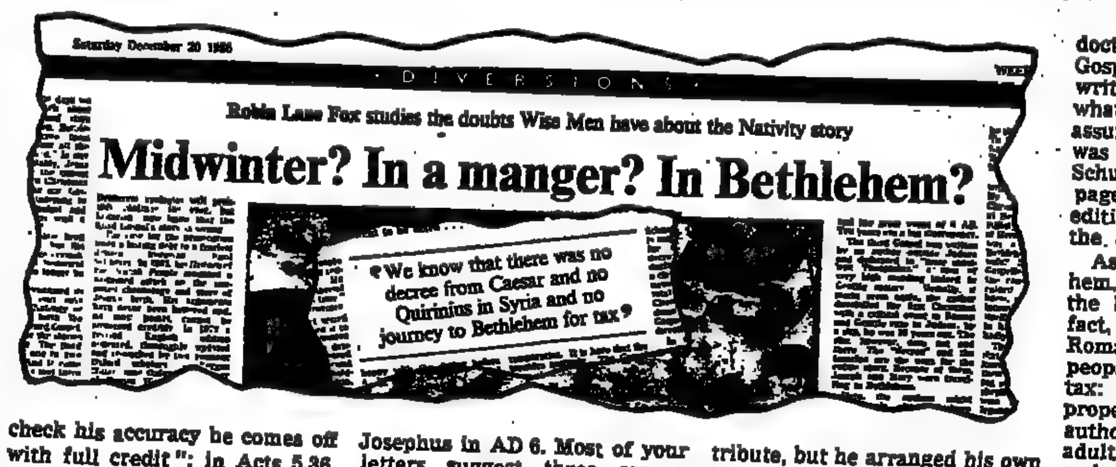
Apples were the only grafted fruits for which there was a close correlation between the root stocks Delbard was using and those popular in Britain. For pears they do use Angers Quince, known in Britain as Quince A, and Provence Quence. However, both are regarded as susceptible to fireblight disease and cold and Angers as having no tolerance for lime. For all these reasons the preferred pear root stocks are two from Lyle Brooks in Oregon, the Old Home and Farmingdale Hybrids which are listed as OHF 51 and OHF 333. Both are said to be totally resistant to fireblight, resistant to a high level of active calcium carbonate, completely compatible with every pear variety grown, resistant to cold and both produce very few suckers.

For cherries Delbard does not use Colt, the most popular stock here at the moment, preferring two selections from another Lyle Brooks hybrid between Prunus mahaleb, the St Lucie Cherry, and P. avium, the gean or mazzard. These stocks are known as Maxma 14 and Maxma 97 and advantages claimed for them are adaptability to all types of soil from porous to heavy, resistance to collar rot and crown gall, and compatibility with all varieties of cherry.

The most striking new apple I saw was Royal Gala, a New Zealand sport from Gala which was itself the result of a cross between Kidd's Orange Red and Golden Delicious. Royal Gala is quite large for a dessert apple, smoothly shaped and bright red all over at Commentry but apparently the degree of colour depends a good deal on location. It was cropping heavily and looked magnificent on the trees but I was not able to sample it. The catalogue says it is sweet and fragrant like Kidd's Orange Red.

Robin Lane Fox reples to his critics

Arguments collide over Christmas


Saturday December 20 1986
DIVERSIONS
Robin Lane Fox studies the doubts Wise Men have about the Nativity story
Midwinter? In a manger? In Bethlehem?
"We know that there was no decree from Caesar and no Quirinius in Syria and no journey to Bethlehem for tax"

CHRISTMAS SHOPPING has become a recognised nightmare, but the Christmas story is another matter. Its placing and timing raise all sorts of difficulties and in the Financial Times of December 20 ("Midwinter? In a manger? In Bethlehem?") I set out the case against the truth of the Gospels' narrative. The arguments were not in any way original. They were admirably stated by the great Jewish historian, Emil Schuerer, in the 1880's and are accepted by historians and many Gospel commentators, whether Christian or not. Since Schuerer, a rearguard action has always been mounted, trying to squeeze an unobvious meaning out of the Third Gospel's Greek, adduce irrelevant inscriptions or defy the known patterns of Roman administration. This action, so far as I know, has always been mounted by Christians. It has now been joined by dozens of Financial Times readers, offering counter-arguments, complaints or re-statements of the Gospels' view. May I reply to the most popular suggestions?

First, let us be clear about our common ground. Of course Jesus of Nazareth was born and of course our festival of December 25 does not pretend to rest on an exact knowledge of his birth-date. The dating and story of the Nativity in the Third Gospel may not be historically correct, but Christianity could, nonetheless, be true: rejection of the one in no way requires rejection of the other. From what we know of their early tradition, the first Christians were much more concerned with Jesus's teaching and death and his death's sequel than with the exact year or place of his birth. I do not find that point surprising.

Dom Bernard Orchard (Letters to the Editor, January 6) complains that as a "child of the so-called Enlightenment" I am wrong to prefer the evidence of Josephus to that of "Luke." I accept that the Third Gospel and Acts were written by a companion of Paul's missionary journeys, but not even Dom Bernard wishes to make him an eyewitness of the Nativity or Jesus's early mission: the wording of Luke 1.1-3 has told against such a notion. No doubt he was a decent, honest man, but we do not know he was a "cultured physician" and it is quite untrue that "whenever we are in a position truly to check his accuracy he comes off with full credit": in Acts 5.36, he makes Gamaliel allude to an event which occurred decades after the date of Gamaliel's supposed "speech." As for Josephus, he was certainly a "careerist and a sycophant of the Emperor," but he also wrote history. The clear dating of the first census in Judaea to AD 6, while Quirinius governed Syria, was not a matter which he had any personal reason to distort. For a Jew, it was a great event which provoked important protest. We know that Judaea came under direct Roman rule; we know from the historian Dio that the last Jewish ruler, Herod's son Archelaus, was banished in AD 6, the year Josephus gives; contemporary coins frequently tie up with rulers whom Josephus mentions: the fullest chapter on the census of AD 6 is in his Jewish Antiquities (Book 18.1), a massive work of erudition: "careerism" was not relevant to this detailed part of his writing. The events of AD 6 were a landmark in Jewish history, like the imposition of "direct rule" in Ulster. No historian has doubted Josephus's credit on this critical moment: Dom Bernard is quite wrong to assert "there is no ground for thinking he was particularly accurate in matters of detail." There are quite a few cross-checks on what the Antiquities contain.

Luke 1.5 links the Annunciation with Herod, who died after an eclipse of the moon, almost certainly in 4 BC, though a minority still argue for 5 BC. Luke 2.1-3 connects the Nativity with a "registration," while "Quirinius was governor of Syria": this event is placed by Josephus in AD 6. Most of your letters suggest three escape-route: another Herod, another governorship, another translation. Unfortunately, none of them neatly clears that ground.

Herod the Great had a son, Herod Antipas, who did rule in and around Galilee from 4 BC till AD 39: does Luke 1.5 refer to him? Clearly not, because it calls this Herod "king of Judaea," whereas at 3.1 Herod Antipas is correctly called "tetrarch of Galilee": Luke 1.5 means Herod the Great, as does Matthew chapter 2, referring to Herod's death (5/4 BC). The clash remains, between 4 BC (or earlier), the year of Herod's death, and AD 6, the year of the census.

Might not Quirinius have governed Syria twice? We cannot entirely exclude this possibility, but it does not help. Josephus is quite clear that the "valuation," or census, in Judaea under Quirinius occurred in AD 6 and the reaction of Jewish pietists makes it plain that this was the first Roman census they had ever confronted. Here, Josephus is not to be brushed aside: a detailed census on the Roman model belongs in territory brought under direct Roman rule. We know, independently, that the government of Judaea changed in this year: when "direct rule" began, a census naturally came with it. If Quirinius did hold a preliminary governorship of Syria under Herod the Great, it has to be rather earlier than 4 BC, to suit other known governors. Even if he did, Josephus's history and the known patterns of Roman rule make a first census under Herod impossible. True, Herod paid tribute, but he arranged his own taxes. Although his relations with Rome had their ups and downs, it is not credible that he submitted to a Roman census which Josephus and his Jewish sources ignored. Client-kingdoms were not treated in that way, nor would it have readily escaped Josephus's account.

What about the Gospel's Greek? The "decree from Caesar" required "registration" ("apographe"): exactly this word is used for the tax-censuses in primary documents which survive from Roman Egypt. An Emperor would not be thought to have "registered" his provincial subjects for any other purpose. "Tax" it certainly was: Jews were exempt from Roman military service. We cannot follow the correspondent who suggested "registration" for an oath of loyalty imposed by Herod on the Jewish people (Jewish Antiquities 17.42). This oath is not connected with a "decree of Caesar": traditionally, it is dated early in Herod's reign (of Antiquities, 15.370 ff); loyalty-oaths in other Roman provinces are not known to have required "registration" in a home-town before swearing they were not imposed "world-wide" by Augustus.

David Taylor (Letters, January 3) suggests a version of the Third Gospel's Greek, recently revived by Professor F. F. Bruce and intermittently canvassed since the 19th century: not "this census was the first while Quirinius was governor of Syria," but "this census was held before that which Quirinius, governor of Syria, held." I fear this version is an impossible rendering of the Greek we have. Nobody has ever entertained it for non-doctrinal reasons: the Third Gospeller was a clear, simple writer and his Greek means what every Bible version assumes. Bruce's "alternative" was refuted already by Schuerer in the 1880s (see pages 421-2 of the latest English edition, 1973, of his History of the Jewish People, volume 1).

As for the journey to Bethlehem, Mr Taylor cites one of the bits of evidence which, in fact, destroys it. Censuses in Roman provinces registered people for at least two types of tax: a poll-tax and a tax on property of various kinds. The authorities needed lists of adult householders, their land and movable property: Mr Tayor cites one of the edicts in which a Roman governor orders his subjects to return to their homes and "agricultural land." Joseph was a man of Nazareth, where he lived. In Luke's view, he went to Bethlehem because it was the town of his (supposed) ancestor, King David. However, a tax-census in a Roman province needed registration in the place of residence and land-ownership, not at a site of supposed ancestral origin. As I said, Mary did not have to accompany Joseph: one householder could make the return for everyone. Of course, as many of you observed, she might have gone to give him support, as a good wife. But they would have registered in Nazareth, not Bethlehem.

Myself, I accept that Jesus was born at some point in the later reign of Herod the Great. We do not know when or where, but we do know it was not during a "tax-registration" decreed by Augustus for "all the world" which sent Joseph trudging off to some supposed ancestral town. The Third Gospel's Nativity story is a charming fiction, dovetailed together to fill a biographical gap. If I have not discussed other points you propose, it is because they are more peripheral or do not overturn the clear and full exposition of Schuerer, updated and revised with a full and fair bibliography in F. Milar and G. Vermes's 1973 edition of his History, pp. 399-427. As he and they conclude, "there is in fact no alternative but to recognise that the evangelist based his statement on uncertain historical information."

Operation Warm-up

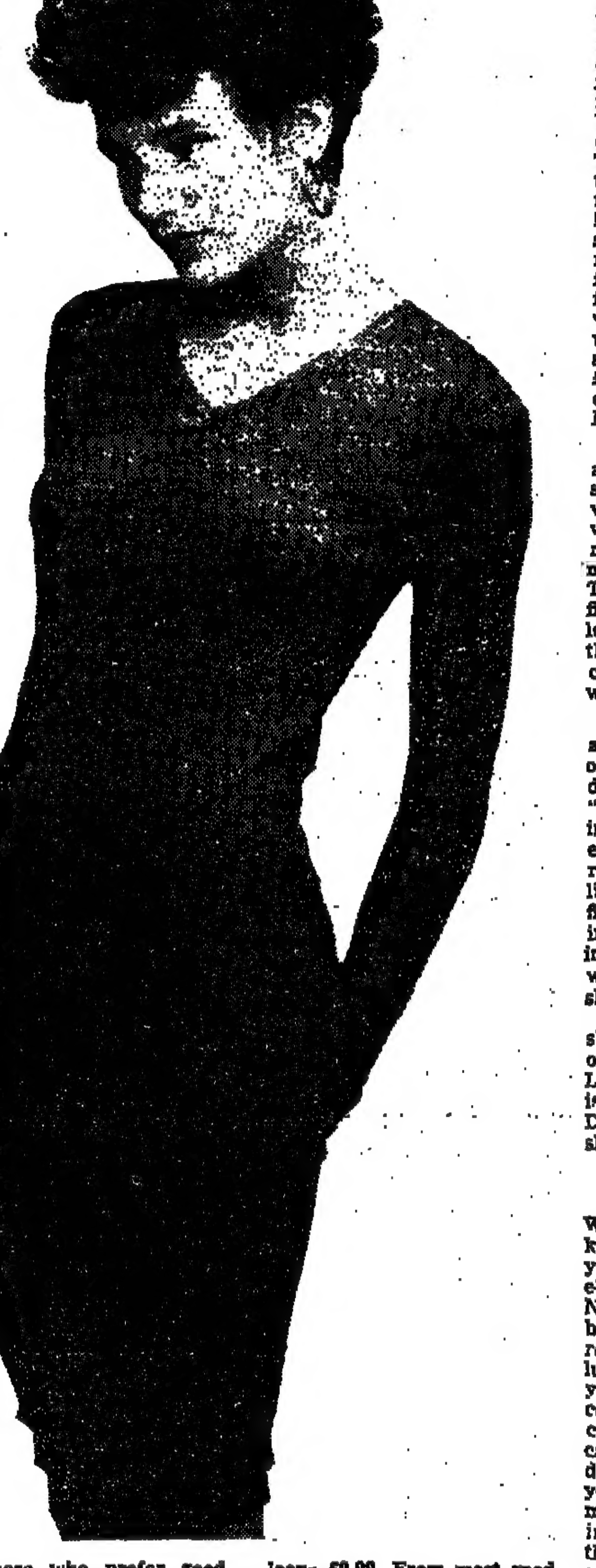
As the cold tightens its grip, it is not too late to find effective ice-breakers

Lucia van der Post

HOW TO SPEND IT

IT'S AMAZING how we always greet the arrival of winter with total astonishment. British Rail behaves as if snow were as rare a visitor as a tropical parrot, shop assistants gaze in wonder at requests for gloves or hot water bottles and the shop windows of the finer stores taunt us with panoramas of distant shore-life.

Now that most of the country looks a fitting setting for The Last Days of the Czar it may well be a little late to set yourself up with all the appropriate kit but there are a few sane oases left where in the middle of winter they sell the kind of things people like to buy in winter. Here are just a few suggestions for keeping the Arctic weather at bay.



For those who prefer good old-fashioned wool, some warming underwear from Brettles: in red or black, long-sleeved camisole £13.99 pantaloons £9.99. From most good department stores, including House of Fraser, Kensington High Street, London W8; Army & Navy in Victoria, London SW1; Guildford.

The hot news in thermal underwear is that this year's buzz fibre is silk. Even Damart, that company whose name is almost synonymous with thermal underwear, is now producing some of its range in a combination of silk and its famous own-brand fibre, Thermolactyl. Two vests—one like a camisole, the other a short-sleeved, round-necked number—some French knickers and a long Victorian-style nightdress are all being made in this soft, warm creamy fibre. They look just the thing for those who want warmth without bulk or an overly utilitarian look. The nightdress sells for £27.50, the vests for £11.99 (whichever style you choose) and the French knickers for £6.25.

Really chilly mortals or those addicted to outdoor sports like skiing, mountaineering or hill-walking should go for Damart's warmest range—unglamorous it may be to look at but it is made from double-force Thermolactyl and has a soft fleecy inside. At £8.25 for the long-sleeved vest and £4.25 for the long-johns it must be the cheapest way around of keeping warm.

Its old fashioned catalogue is a useful source of a whole-range of warming aids — from thermal dressing-gowns to quilted "duvet" coats, from charcoal insoles for shoes (the charcoal eliminates what the brochure refers to as "odour") to fur-lined footwear. Anybody who finds shoe-shops already sporting strappy sandals and despairing of finding something suitable with which to greet the snow should head straight for Damart. There are now 20 Damart shops in Britain (the London one is at 263, Regent Street, London, W1) but most business is done by mail: write to Damart, Bingley, West Yorkshire for a free brochure.

●

WHEN it comes to bedding and keeping warm, the buy of the year seems to have been the electric duvet. Launched in November, 40,000 have already been sold and it's had a rave review from almost all of those lucky enough to have one. If you think the electric duvet could be the answer to your cold-weather needs, and you can raise the tog-rating of the duvet to a tropical 20 (togs, you will remember, are the measurement used to indicate insulation rating of duvets—the higher the hotter). There are still plenty for sale. Prices—single £59.99, double £79.99 and King-size £89.99. Find them at John Lewis Partnership, Harrods, Boots, Currys and Electricity Board showrooms.

New look thermal underwear from Damart—camibrief, £7.99 in white, £8.99 in pale blue; longjohns, £8.45 in white, £8.75 in colours

Hot buys to beat the cold

● Survival Aids, which has a new shop in Euston Station, London NW1, is selling 100 per cent knitted silk thermals—light, warm and comfortable. £19.95 for long-sleeved vest, £19.95 for long johns. For a catalogue for other cold-weather survival aids write to: Survival Aids, Morland, Penrith, Cumbria, or visit the shop in Euston Station.

● A good handwarmer is the pocket Hot Handwarmer — this time you light a fuel rod with a match, place it in a case and the case in its pouch and then it provides you with heat for a couple of hours. £4.50 from Harrods (p+p £1.50) and good camping and outdoor stores.

● Electric Heating Pad, meant for the old and the arthritic, but a useful warmer for those who can't move around too much. £14.95 from Boots.

● Wonderfully luxurious long warm socks with initials knitted into diamonds up the side — in red, brown, blue and black, £22.75 from Eximious, 10, West Halkin Street, London, SW1.

● Cheer yourself up with jokey, colourful yet warm Magic Gloves — one miniscule size (could easily fit into a tiny pocket) expands to fit anybody. Green with black, blue, red, yellow and white tipped fingers, £4.95 from The Covent General Store, Long Acre, London, WC2. Also Magic Socks—they look baby size but fit everybody—£3.99.

● Keep ahead with a warm hat from The Hat Shop, 58 Neal Street, London WC2, or its new branch at 9 Gees Court, St Christopher's Place, London W1. Lots of warming headgear, from glamorous Anna Karenina type lamb's fur (£75.60) to sheepskin aviator styles. Also lots of inexpensive hoods and balaclavas.

● Soft, cuddly animal hot-water bottle covers—teddies, rabbits, cats, £12.99 from The Covent Garden General Store, Long Acre.

● Fingerless gloves if you want to keep warm and still use your fingers—in fine, soft alpaca, £4.65 from Inca, 45 Elizabeth Street, London SW1.

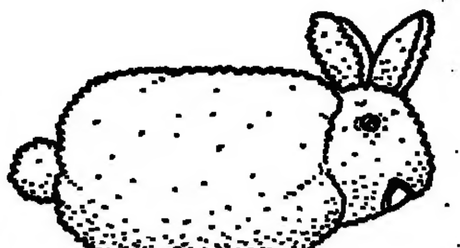
Please, tell me a story...

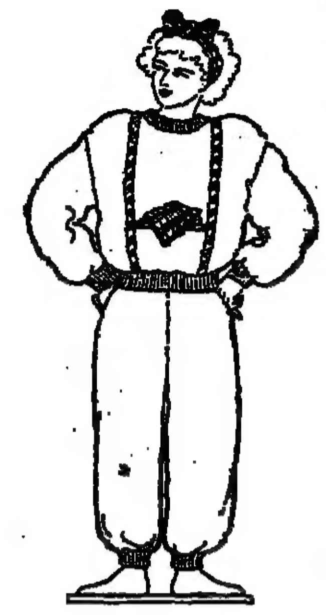
ANYBODY who loves a good yarn and who fears that the golden days of story-telling may be over should hurry along to the Watermans Art Centre, 40 High Street, Brentford, Middlesex, where they will be able to hear tales to rival Homer for the next eight days. Ben Haggarty, the enthusiast behind the festival, has gathered story-tellers of almost mythical eloquence to pass on the oral tradition that they have inherited.

Many are barely literate and some have never before left their native shores. There will be an Irishman from the Republic of Ireland, a couple of itinerant tinkers from Scotland, a young French story-teller telling ancient Hindu tales from India, some Indians from the US who have kept alive the old Red Indian oral culture. Stories of the beloved "Once Upon A Time" kind are alive and well and valued more and more. Ben Haggarty's touring group of story-tellers regularly gathers audiences young and old.

For stories are not only important for children; adults, too, need the myth, the fantasy, the sheer magic of story-telling in their lives.

From Sunday January 18 to January 25 there will be stories to listen to. Most of the day-time events are booked up but there are still plenty of places for the evening ones. For tickets and further details ring 01-568 1176.





MORE WINTER warmers—top, a mini-sized hot water bottle for children, £4.50 (p+p 70p), and soft white rabbit hot water bottle, £12.95 (p+p 75p). Both from Graham & Green, 4 & 7 Elgin Crescent, London W11. Above left: elegant hot water bottle cover, £10.50 (p+p £2) from Eximious, 10 West Halkin Street, London SW1. Above right: soft brushed 100 per cent cotton pyjamas, £52.50 (p+p £1.50) from After Dark, 64 Pimlico Road, London SW1. Right: quilted dressing-gown and matching Wyncyette nightdress, white with pink or blue flowers, £41.50 (p+p £1.50) from After Dark. Below: sweater knitted by hand in Peru, appliqued with happy snow and skiing scenes, £48.75 (p+p £2) from Inca, 45 Elizabeth Street, London SW1.

Drawings by Anne Morrow

Edmund Penning-Rowsell samples some retailers' representative lists

Practical tastes can be attractive

Wine

ROFESSIONAL WINE tastgs in London are usually of vo kinds: those held by tailers for wine writers, and hers held by *foreign* erchants, basically to show eir latest or more recent ntages to the trade here, and which wine writers are often vited.

The former may be of more actical use to the consumer, entioning wines to be bought stated places and prices, but e latter are likely to provide seful information on the uality of recent vintages not t available on merchants' sts. But as they have not yet een sold to the trade here it is npossible to give more than pproximate, likely retail prices.

One of the most attractive of tailers' tastings is that given Lay & Wheeler of Colchester, hich invites wine writers down its Colchester premises to ow a representative range om its latest list. Last time ere was a formidable list of wines, of which I sampled ore than half. Naturally ough the white wines were ostly very young and I found em green and needing more ttle age, but consumers might joy their freshness.

What I did pick out was the eer Lasserat St Véran '84 7.99), which on the nose had green tinge, but a fine oaky oma, with lots of fruit on the late: better than St Véran ten is.

Going up the scale was ichelot's Meursault Clos du apin (£14.89): a really apple" wine, with lovely ardonnay bouquet and a rich, ality flavour. In a different tegory was the *Maximin* ünhäuser Abstberg Kabinett 3 (£7.25): elegant, not too eet, with excellent acidity: a wine to buy now but then keep for five years.

Among the red wines the beaujolais did not sing for me, but the inexpensive non-vintage Cuvée de la Jeunes Vignes (£4.47) had an oaky nose and a firm flavour that made an easy-drinking, not-over-tannic claret.

Nearly all Bourgueil is drunk too young, but Pierre Jamet's St Nicolas de Bourgueil '83 (£4.54) showed the benefit of a little bottle-age to give more flavour to a light, agreeable cabernet wine.

A bargain, I thought, was the Ousteau Gigondas '83 (£4.95): rich, concentrated with a slight vanilla flavour.

Finally two "second-wine" clarets stood out: Pichon Lalande's Réserve de la Comtesse '84 (£8.68), with medium colour, fine nose and fairly light, but distinguished flavour; and Pavillon Rouge du Ch. Margaux '81 (£14.38). This has been made with great care in recent years, and is an elegant, distinguished wine at less than half the price of the *grand vin*.

Two othe rcountry merchants that have recently held London tastings are Eldridge Pope, the Dorchester brewers who have greatly extended their wine interests and now produce a very large list; and Henry Townsend, the up-market firm in Beaconsfield. The first showed no fewer than 70 wines, which, as far as I am concerned, is counter-productive, for I do not find it practical to assess so many wines. So the 26 that I chose may have missed some of the best. I have added in the VAT prices, although given exclusive of them: a mistake nowadays.

Among the least expensive were two *vins de pays* from the Vendée Dom. de La Chaignée at £2.66 a bottle. The red '84 was light and agreeably soft already, the '85 white clean, fresh and dry. A finer white was the excellent Mâcon Viré Cuvée Spécialisée '85 from the Viré co-op, with a good southern burgundy bouquet and plenty of fruit (£4.63).

Two sweet whites were particularly attractive: the well-known Coteaux du Layon Clos de Ste Catherine '84 with a very rich, flowery nose, its sweetness backed by good acidity (£4.53) and the Chairman's Dessert Wine '79, a château-bottled Monbazillac (£3.62), with a generously honeyish bouquet and flavour.

Given a little bottle age Anjou Rouge can make excellent drinking, and the Logis de la Giraudière (£3.61) had lots of taste, with slight residual sweetness. Among other attractive reds was the Chairman's Claret (£4.60). Bottled at Ch. Cissac, this had real Médoc quality, though still tannic. Two '83 red burgundies showed very well: a Hautes Côtes de Beaune (£5.11), light but with attractive pinot bouquet: and Nuits St. Georges Reynier (£8.29,) with an engaging aroma and soft flavour. Eldridge Pope's list is worth sending for from Weymouth Avenue, Dorchester, Dorset.

Henry Townsend showed a very mixed selection of only 20 wines: all interesting and most of them attractive. One of the least expensive was Hawkes Bay Chardonnay '85 from Cook's of New Zealand (£3.57). With a clovey nose and a still powerful flavour, a wine to buy and keep a year or so. Good value in Chablis terms was the aromatic, crisp, long flavoured premier cru Vaillons '84 (£8.70). Sauternes are said to be "coming back" and a rich, concentrated example was the Bastor-Lamontagne '83 (£4.30 a half bottle).

Among the red wines the plain Bordeaux Ch. Thieuley '83 (£3.75) had a real touch of claret class. Connetable Talbot is Ch. Talbot's second wine and the '82 has a full colour, a classy Médoc nose and enough body to keep it for the several years clearly desirable (£8). The small burgundy selection included the Savigny Champ Chevrey '82 (£9.60), a light but well-balanced wine from the excellent firm of Tollot-Beaut.

Although 1985 burgundies are unquestionably expensive, trade tastings of two leading Beaune firms—Louis Latour and Bouchard Père et Fils—showed their fine quality. Some '84s also available demonstrated their often pinched character. The retail prices given are estimates provided by their agents here in Britain.

Latour's cheaper '85 whites were well up to standard, though I found the usually reliable Mâcon Lugny Les Genièvres (£6.35) rather carthorsey, but it may develop. Then followed an excellent, typical Meursault (£13) with a developed, oaky nose that came out of the glass, and enough acidity to match its plentiful flavour.

Next came the Chassagne Montrachet (£14.60), a big, bold wine, strong flavoured, and with a smoky nose, but the adjoining Puligny-Montrachet (£15.80) had much more elegance, with a long, all-the-way flavour. In comparison the '84s of all these three wines lacked fruit.

However, the really exciting '85 whites were the Meursault Genevrières (£16), a big strapping wine, Meursault at its boldest, the more distinguished Puligny-Folatières (£17.40), with the lovely long, fruity flavour of first-rank white burgundy, and the Corton Charlemagne (£33), a huge wine and a very powerful one, to be laid down. All these three last wines were cask samples.

When young, Latour's red wines have usually been less interesting than his whites, but the cask samples of the '85 reds certainly showed an advance in fullness and flavour. The popular Beaune Vignes Franches (£13.50) had plenty of colour, bouquet and balance of flavour. The Corton Domaine Latour (£17) was full on the nose, with a forward, seductive flavour. The well-known "house blend" Corton Grancey (£20.50), had a rich nose, with a round, nutty flavour. My favourites, regardless of price, were the Chambolle-Musigny (£17.20), elegant in aroma and flavour as a Chambolle should be, Vosne Beaumonts (£18.50), fuller than the Chambolle, but fairly soft and forward, and finally the Chambertin Cuvée Héritiers, from Latour's own vineyards. Not, it seemed, a big wine for Chambertin, but voluptuously flavoury and a splendid one for the future (£32).

The red '85s of Bouchard, the largest Côte d'Or vineyard owners, made more impression on me than their whites. However, of these I found the Pouilly Vinzelles (£9) a fair buy now that Pouilly Fuissé prices have again raised the cellar roof: round and full-flavoured. The Puligny Referts (£20) had a distinguished bouquet and real depth of flavour. If Bouchard's own Chevalier Montrachet (£40) was still very closed that is probably as it should be at this stage. Yes, very expensive, but it comes from a top-class vineyard of less than 7 ha. owned by a handful of growers.

With vines now much more mature, the Côte d'Or *Hauts* Côtes vineyards are now producing less green and more fruity wines, and though variable can represent good value. Ch. Mandelot (£5.75), a Beaune one made by Bouchard, was light but fruity, and will make easy drinking before long. Of the half-dozen of the firm's own properties I picked out the Volnay Fremiets, Clos de la Rougeotte (£15) with a fine nose and an agreeable touch of sweetness. Beaune Teurons (£12), with very good colour, and Nuits St Georges, Clos St Marc (£20), a big-flavoured wine of real depth and character. All these fine '85 burgundies should be available here within the next year or so, and will be worth looking out for.

Financial Times Saturday January 17 1987

BOOKS

Anthony Curtis reviews the life of a controversial publisher and zealous campaigner

Victor's causes

VICTOR GOLLANCZ, A BIOGRAPHY
By Ruth Dudley Edwards. Gollancz, £20.00. 782 pages

OF ALL the possible subjects for a biography Victor Gollancz must have been about the hottest potato on offer. Ruth Dudley Edwards reached out and was offered it on a plate by Victor's oldest daughter Livia who has been head of the publishing business that bears his name since his death in 1967. Inevitably Ruth Dudley Edwards had her fingers burned in that the project totally disrupted her life for 10 years, involving relinquishing a senior position in the Civil Service in order to give all her time and energy to the material.

It was even more voluminous than she had supposed, thousands of letters and memoranda, published writings which include four autobiographical volumes, memoirs of the many public figures with whom Gollancz was associated, a huge circle of family and friends. There has already been a history of the publishing house by a former member of it, Sheila Hodges, but this did not mean that its records could be ignored. Each book published had its file, bulging with Victor's memos, often much livelier reading nowadays than the book itself. All these had to be perused to reconstruct a picture of his often stormy relations with the leading authors whose reputations he helped to make, people like Dorothy Sayers, Phyllis Bentley, A. J. Cronin, Daphne Du Maurier, and later Colin Wilson.

It says much for Ruth Dudley Edwards's strength of character that throughout the whole process of research and writing she kept her cool—not just her sanity but also her historian's impartiality. She never met Victor Gollancz and never had any involvement with him. Moreover, her own background is quite different from his so that she was able to view his unique position as a Jew who had broken with orthodoxy but nonetheless drew his essential strength and motivation from Jewish tradition through calm unemotional eyes. In fact the first point to be made about the book is that it is at all times non-judgmental. It leaves you to make up your own mind about someone who was a massive bundle of contradictions, and who made his conspicuous progress through life trailing clouds of controversy. It would be rare to find anyone with whom he had any dealings at all, either personal or professional, whose recollection is not marred by a wounding disagreement or a sense of outrage so great as to be irreparable.

Were the angry terminations of so many adoring friendships and devoted working relationships the necessary result of Gollancz always putting the cause he was serving, and so zealously promoting, before the sensibilities and vanities of the individuals he had recruited to help him serve it?

In these pages the balance of vanity always seems to be heavily outweighed on his side rather than theirs. T. S. Eliot (with whom Gollancz shared the distinction of having rejected Animal Farm for publication) speaks somewhere of the danger run by those who serve a cause of making the cause serve them. For all his perceptiveness where other people and their work were concerned, Gollancz seemed unaware of how consistently he fell headlong into this trap.

Nonetheless to serve any unpopular cause for whatever mixture of motives requires uncommon courage. When the moment came to stand up and be counted Gollancz was always among the first to be upstanding. His campaign at the end of the second world war to mitigate the suffering in many areas of Germany, to halt the dismantling of industrial plant, and to allow food parcels to be sent from Britain to people in Germany (the latter ultimately successful) was an outstanding example of the degree to which as a Jew he had embraced the Christian ethic. It won him not only the undying gratitude of the German people but also the admiration of many former antagonists. A penitent letter from Evelyn Waugh is one of the more remarkable documents printed in this biography. Gollancz's later campaign to try to avert the death sentence passed on Eichmann by an Israeli court earned him violent obloquy from his own people which must have been hard to bear.

These are but two of the many causes espoused by Gollancz which Ruth Dudley Edwards chronicles in full. Although Gollancz never became a member of either house of Parliament or held any Government appointment, he was as an activist, a private citizen, and a member of the Labour party, so often involved in public affairs that the biography almost stands as a political history of this country from the 1930s to the 1960s. He was at his most influential and controversial as the publisher and promoter of the Left Book Club with a then Communist party member John Strachey and a Marxist academic Harold Laski as his colleagues on the selection committee. Ruth Dudley Edwards charts the unbelievable success of the Club not merely in distributing its Soviet-inspired books to members but also as a forum for meetings up and down the country which Gollancz himself would attend, and mass rallies in the big cities.

We observe how completely until the pre-war Russo-German pact Gollancz became a pawn in the hands of his Communist colleagues and how he would censor some of the material to conform to the party line.

His letters to authors explaining in elaborate detail the necessity for this are often masterpieces of casuistry. On one occasion he failed completely and that was when he commissioned a book for the Club from Leonard Woolf. Even shrewder and tougher than Gollancz, Woolf had taken the precaution of having a clause inserted into the contract that the text should be published uncut and unchanged, and Woolf stuck implacably to his guns.

Politics was by no means the sole concern of Gollancz's life. His first passion as a schoolboy was for geology. The son of a jeweller, he was brought up in a large Jewish family circle two of whose members had already achieved academic distinction: his uncles, Israel and Hermann, were both distinguished professors. Gollancz went to St Paul's School and then to Oxford where he read Greats. World War One caused his career to be cut short after Mods. After a brief spell in the army he became the classics master at Repton where the head was Geoffrey Fisher, later Archbishop of Canterbury.

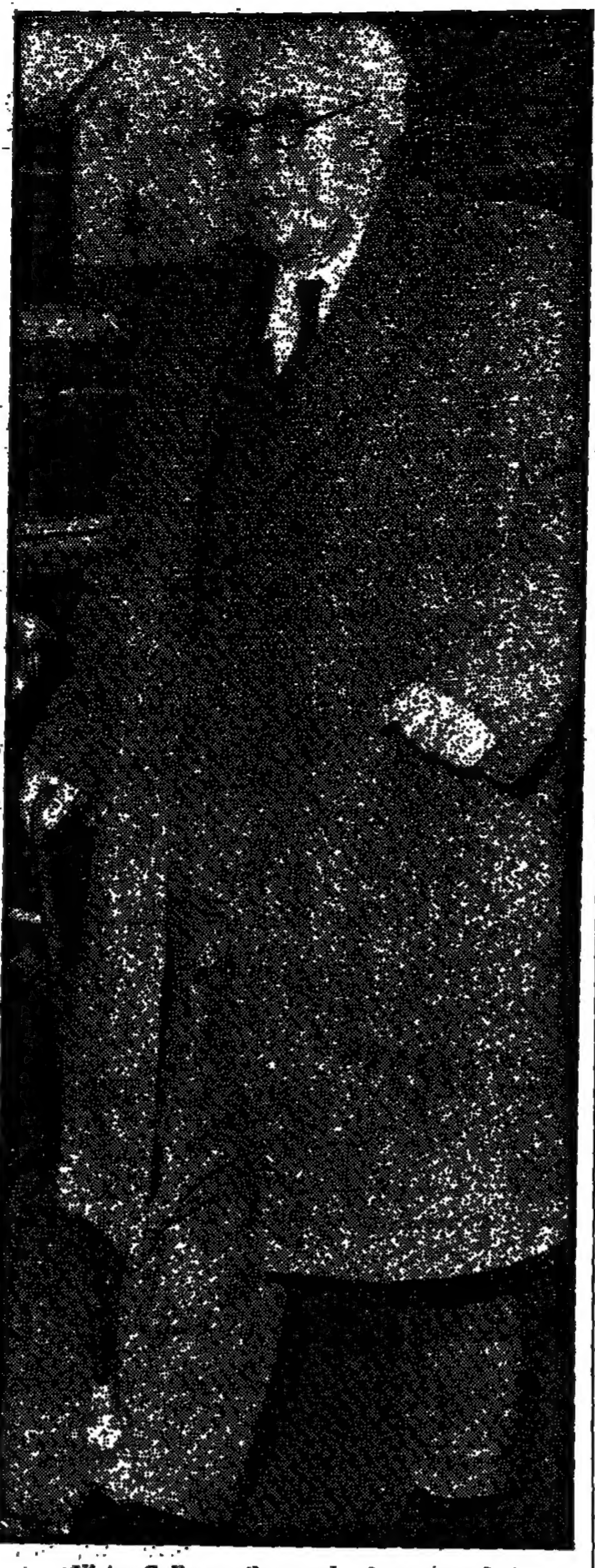
Gollancz was a roaring success with the boys. The pedagogic strain was the one element that held together all his activities as a communicator. He had a magic in the classroom just as he was to have a magic later on a public platform or at a literary luncheon. He started a radical discussion society but he made enemies among his colleagues, and eventually was dismissed. He then found a job in London with Ernest Benn and blazed away into his ultimate vocation as a publisher.

Unlike many people who rise to the top in publishing, and who are extremely astute on the business side, Gollancz simply loved reading. He read voraciously all his life; although his taste for fiction and plays waned in middle life in favour of mysticism, religion, philosophy and listening to music, he was always able to discuss a manuscript with an author as a real professional; going straight to the heart of the matter. His praise, often lavishly but never indiscriminately bestowed, was music to his authors' ears and enabled him to get away with murder.

The trouble started when he became a more or less full time writer himself, of pamphlets in support of his causes, and later a compiler of anthologies of spiritual consolation, without wishing to let go the reins of the publishing house. There are some horrendous tales here of how certain people whom he made his lieutenants were treated.

But he always had loyal support, not least from his wife, Ruth who fully deserved her share of the glory when it belatedly came in the form of a knighthood for Victor. She condoned his two infidelities mentioned by the biographer. The family background (five daughters) is comparatively briefly sketched in. It is the public man who dominates.

He seems with his superabundant energy and power of persuasion to belong already to a vanished era of public life. The biography must be one of the fullest and richest portraits of an outstanding contemporary individual we have had.


Victor Gollancz: thousands of memoranda

Malcolm Rutherford considers the concluding volumes of Dalton's illuminating diaries

Uneasy peacetimes

THE POLITICAL DIARY OF HUGH DALTON 1918-40, 1945-60
edited by Ben Pimlott. Jonathan Cape, £40. 737 pages

ON THE first page of his biography of Hugh Dalton, Ben Pimlott made a mistake. He gave Dalton's date of birth as August 16 1887. Over 1,500 pages later this has now been rectified. A footnote in the Dalton Diary 1918-40 says that the right date was August 26.

One doubts whether there are many similar errors in this monumental series that has taken ten years to complete: first the biography, then the diaries of the two world wars and now the diaries of the inter- and post-war periods. Few other British politicians can have been written about so scrupulously or had their diaries edited so thoroughly. Yet at the end one almost still wants more.

It is no slight to Pimlott to say that the diaries are more interesting than the biography. The same thing happened to Philip Williams with his biography of Hugh Gaitskell and the subsequent publication of the Gaitskell Diary. One needs the biography to start with—to set the scene. The fascination of the diaries lies not only in the additional detail, but in allowing the reader to judge how far the biographer has got the subject right in the first place.

Where Pimlott may have erred is in being too studiously neutral. The Dalton who emerges, especially from these peace-time diaries, is a more sympathetic and attractive figure than Pimlott usually made him out to be. There is a poignancy in the entry about the death of his young daughter, Helen, that did not seem to me quite to come through in the biography.

Dalton also exhibits at times a fairness of judgment that has not always been previously suspected. The long entry for June 28 1939, for instance, concerns a meeting between Labour Party leaders and Neville Chamberlain, the Prime Minister. Although Dalton insisted throughout that Labour would never join a Chamberlain-led coalition, there is a sudden understanding of the difficulties that the Prime Minister was facing and of his efforts to deal with them. The issues no longer seemed to Dalton quite so black and white and Chamberlain appeared less stubborn and less ignorant.

At the same time, there is considerable sympathy for Lord Halifax, the Foreign Secretary, and perhaps more surprisingly for the young R. A. Butler whom Dalton might have dismissed out of hand as an appeaser, but does not. Indeed he seems to have spotted the Butler talent very early on.

Dalton had been right in recognising the inherent weaknesses of Ramsay MacDonald as Labour leader from the start. The inter-war diary is littered with references to his inadequacy and signs of troubles to come long before the climax of 1931. Yet he was curiously and consistently wrong about Attlee, whom he wrote off in 1932 as a "small person with no personality or real standing in the movement." That judgment never really changed and represents one of the least attractive sides of Dalton's personality. It must, one assumes, have contained an element of jealously.

There is also a passage in 1932 which show a rather strong enthusiasm for Mussolini, whom Dalton met in Rome and clearly fell for. Hitler was different and Dalton was among the first to recognise the menace in the Germany of the 1930s.

Pimlott has always claimed that this was one of his greatest achievements. He helped steer the Labour Party away from pacifism or neutralism. That is fully borne out by the evidence of the diaries, and without the excessive egotism that accompanies some of the other entries. It is also one of the reasons why one concludes reading such a comprehensive study feeling more sympathetic to Dalton than at the start.

Pimlott is still only in his forties. He has set himself a massive reputation to live up to.

Horror comic mode

Fiction

KLARA'S VISITORS
by Wessel Ebersohn. Gollancz, £10.95. 278 pages

THE AUNTS
by Robert Liddell. Peter Owen, £10.95. 192 pages

FAMILY MATTERS
by Christopher Matthew. Hodder and Stoughton, £9.95. 223 pages

HITLER FARCICAL? Is it possible, acceptable, anything but an outsize lapse of taste? Can such evil decently arouse laughter? Klara's Visitors unexpectedly does. The author is South African; perhaps this makes his view more oblique than a European's. Certainly it gives a South African dimension to his Hitler's view of things. Commando riders from the Boer War inspire images that become storm-troopers; the term concentration camp is coined. Forty years on, the diary Hitler kept as a shrill, precocious brat in 1896, and continued to keep until 1931, turns up in Cape Town.

That his main deficiency is sexual is explained to him by Dr Freud, no less. From the dull childhood in which Freud seeks the pattern he goes on to fight, everlastingly stuck at corporal level ("Adolf, to tell the truth, you are without the qualities of a leader"); then come post-war starvation, bed bugs, soup kitchens, vagrants' hostels; and the gradual emergence of a party with himself, through mystical self-delusion and self-confidence, as leader. Along come the others—Goering, Goebbels, Hess, etc—to be deluded by him. And the family pops up disquietingly: brother Alois with his Irish wife and almost British son William Patrick; niece Geli, so swooningly beautiful and unattainable; a Jewish grandfather, wiped out by edict; the hated father, the idealised, Madonna-like Mama.

Should one joke, however blackly, with horrors? These early Hitler diaries, before his take-over of Germany, hit (for me) an acceptable note of lunacy.

Friend of Elizabeth Taylor, Ivy Compton-Burnett and Barbara Pym, Robert Liddell shows signs of them all in The Aunts; and of E. F. Benson, as well; and, to be fair and more far-flung, he is also admired by Patrick White. Much of this novel is concerned with social niceties, of which we have had rather much in recent fiction, each novelist riding his particular social hobby-horse.

Provincial life in 1938 has changed little since the 19th century. Aunts Eliza and Jane and Uncle George dote on their nephew Philip but are at odds with one another. A curious mixture of love and detachment, satire and sentiment, pervades the quiet chronicle of their last days (George is to die, the war is to blow up their way of life): quiet yet a minefield of possible, probable, marginal scandals, upsets and secrets, of sexual innuendo and moral violence.

Christopher Matthew was a bold man to invite comparison with the Grossmiths by calling his first novel about Simon Crisp Diary of a Somebody. Family Matters, the fourth, takes Simon on to domesticity and fatherhood. Married to Belinda Bott, née Pedalow, a large girl with prematurely grey hair, he now has a son, a dog, house in Colliers Wood, a job in PR and his eye fixed on every yuppie goal in the years ahead.

Is this a funny book? Yes, a bit disturbingly. One smiles with recognition of modern pretentiousness on Simon's banana-skin-strewn path. But a sadder undertow than that of the earlier books suggests he is having a poor time of it with Belinda Bott, née Pedalow.

Isabel Quigly

Preacher man's way

KING REMEMBERED
by Flip Schulke and Penelope O. McPhee. W. W. Norton and Co, £16.00. 303 pages

IF THERE was a single important touchstone in the US civil rights movement in the 1950s and 1960s, it occurred in Montgomery, Alabama, when a black seamstress named Rosa Parks refused to give up her bus seat to a white passenger.

The dramatic confrontation happened on November 17 1955 and the furore it caused led to a black boycott of the Montgomery bus company and galvanised the embryonic civil rights movement then being led by the young Rev Martin Luther King, Jr.

From that moment until his death from an assassin's bullet 13 years later, King and his young wife, Coretta, knew not a single moment's peace. Threats to life and limb were a daily occurrence, but the movement he forged leading to the formation of the Southern Christian Leadership Conference was to transform the face of American society. Nowhere was the impact of King's drive to use non-violence to win equal rights for blacks more strongly felt than in the Deep South where virtually no progress had been made since President Abraham Lincoln freed the slaves with his Emancipation Proclamation nearly a century before.

Two authors, Flip Schulke and Penelope McPhee, both Miami-based "northern" journalists who covered the civil rights protests, have pooled their resources to write what one is inclined to describe as an action-packed political thriller on the life of one of 20th century America's most formidable orators and leaders.

Their work, King Remembered, is abetted by more than 100 photographs of that tumultuous era of social upheaval. The book does not dwell at any length on King's early life — he was born in Atlanta in 1929 — but does focus significantly on his conversion in the late 1940s to Gandhi's concept of active non-violence in the pursuit of social reform. That he was able to hold this centre ground in the face of mounting opposition within the movement from such black power militants as Stokeley Carmichael, head of the Student Non-violent Co-ordinating Committee, was perhaps his most important contribution to the cause of equal rights.

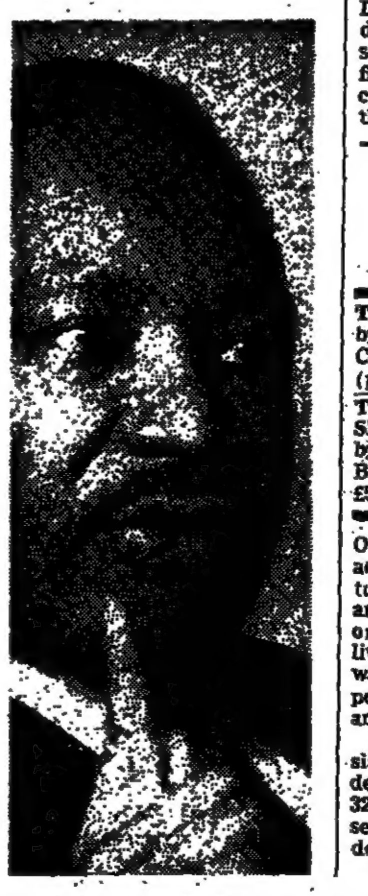
It is, perhaps, unfortunate that the authors, in their enthusiasm for their subject matter, do not deal with the day-to-day aspects of King's life. It would be interesting to know how he and his wife coped with the raising of their four children and what their, admittedly, chaotic home-life was like. As a consequence we get a picture of King without warts, not that his reported peccadilloes with some of the female camp-followers attaching themselves to his civil rights campaign caused any undue damage to his image.

Such is the pace of their story that Schulke and McPhee also commit some important oversights—no mention is made in the text of the Little Rock, Arkansas, school integration riots of 1957, which brought the segregation issue in the US to international attention, and only passing reference is made to President Kennedy's 1960 campaign in which his Catholicism was as large an issue as that of black rights was to become before the decade was out.

Despite these faults, the pages ring with King's mesmerising oratory, especially his 1963 "I have a dream" speech in Washington in which he said ". . . every valley shall be exalted and every hill and mountain shall be made low. The rough places will be made plain and the crooked places will be made straight, and the glory of the Lord shall be revealed, and all flesh shall see it together."

A generation later such oratory is still heady stuff. While better biographies of Martin Luther King will no doubt be written, the authors have done us a service by reminding us of the potency of his words.

Frank Gray



Greek oarsmen

THE ATHENIAN TRIREME
by J. S. Morrison and J. F. Coates. Cambridge, £22.50 (paperback £7.95). 253 pages

THE SUTTON HOO SHIP BURIAL
by Angela Care Evans. British Museum Publications, £5.50. 128 pages

OARSMEN (armchair or active), mariners, Greatsmen-turned-bankers and all amateurs of the ancient world or naval history will enjoy a lively, up-to-date account of the warship that gave Athens her power, by a Cambridge classicist and a naval architect.

From victory over the Persians at Salamis in 480 BC to defeat by the Macedonians in 322, the triremes gave Athens security, and the freedom to develop her culture.

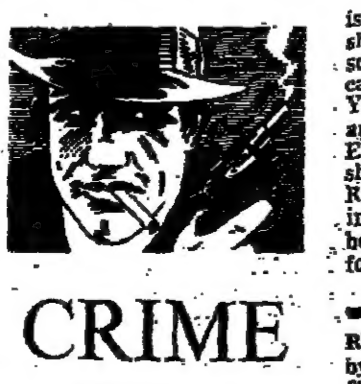
The book combines analysis of ancient accounts with new evidence from digging wrecks — but not triremes which were so buoyant that they were "swamped" but not sunk after a battle — with the practical experience of reconstruction. The authors have been the guiding lights of building a full-size trireme, which is now nearly ready to join the Hellenic Navy. Only then can their many wise suggestions about the ships be tested. How did they manoeuvre in battle, and ram? What was the discipline that could get 170 Greeks to pull together, and even embark them in a scramble so that all sat in the right places?

Excellent illustrations and glossaries, English and Greek from adze to zygites (oarsman), add to a book that will encourage visits to the Hellenic Maritime Museum this year to see the trieres that Heredotus and Thucydides took for granted, but was so difficult to grasp in the classroom.

The extravagantly rich Anglo-Saxon burial in a 90-ft-long rowing boat at Sutton Hoo, Suffolk, conjures up heroic life and death in Homer or, better, Beowulf. Dug in summer 1939, it is probably the grave of Raedwald, king of East Anglia (died 624-5), who was briefly Christian. His mass of treasures, with links from Constantinople to Sweden, has intriguing hints of this, such as a pair of silver spoons, one with Saul and one with Paul written in Greek. Damascus to Suffolk fires the mind; but we do not know what Raedwald thought about them.

Angela Evans has written a new popular guide. Pictures are superb, but it needs a glossary for those who falter at (fascinating) technical descriptions of the goods. Talk of "high-status graves," if part of the jargon and class-obsession of modern archaeology, is not heroic. But I learnt a lot.

Gerald Cadogan



CRIME FILE

THE DIRTY DUCK
by Martha Grimes. Michael O'Mara, £8.95. 240 pages

IN STRATFORD, a party of nouveau riche American tourists, between Shakespeares at the Royal and drinks at the Dirty Duck of the title, is curiously prone to being murdered. Superintendent Richard Jury, by chance in the city, is pre-empted, and—after a shift of venue to London—solves the intricate case. The caricature dramatis personae, Yanks and Brits alike, are amusingly confected; and the Elizabethan ingredients shrewdly measured. The Richard Jury series originated in the USA; this is the first to be published here. Another will follow presently. Welcome.

REEL MURDER
by Marian Babson. Collins, £8.95. 180 pages

Two old film stars (the equivalents, say, of Miriam Hopkins and Ruby Keeler) are invited to London to a nostalgia festival. Put up in a private flat, they find a bunch of drama students — ardent fans — as neighbours. The fun of the festival is marred — or, perhaps, enhanced — by some murders. The two dames enthusiastically intervene. The familiar, admirable Babson mix of unerringly defined ambience and appealing wit.

William Weaver

CHESS

ORGANISERS OF the Foreign & Colonial Hastings chess congress, which ended this week, were surprised when the USSR Federation announced the names of its three representatives. Besides the woman world champion, Maia Chiburdanidze, and the witty grandmaster writer Edward Gufeld, the Russians unexpectedly chose Smbat Lputian, a player little-known in the West whose name looks like a typographical error.

However Lputian, a 28-year-old Armenian, is one of the USSR's rising men, winner of the competitive 1986 First League. He played on the Russian team which won the World Youth championship in Chicago and has a high 2,520 FIDE rating.

Best of all, Lputian has a natural verve for the attack, as demonstrated in this week's games. Both follow well-known theoretical lines until Black mistimes a pawn advance and Lputian homes in by imaginative tactics.

White: S. Lputian (USSR). Black: M. Knopka (Czech). Opening: Grunfeld Defence (Erevan 1986).

1 P-Q4, N-KB3; 2 P-QB4, P-KN3; 3 N-QB3, P-Q4; 4 PxP, NxP; 5 P-K4, NxN; 6 PxN, B-N2; 7 B-QB4, P-QB4; 8 N-K2, 0-0; 9 0-0, N-B3; 10 B-K3, Q-B2; 11 R-B1, R-Q1; 12 B-B4, Q-Q2; 13 P-Q5, N-R4; 14 B-Q3, P-QN4?

In earlier games, Black chose either 14...P-K4, gaining central territory, or 14...P-N3 followed by P-K4. The plan of Q-side expansion proves over-ambitious.

15 B-K3, P-B5? (better P-K3); 16 B-B2, B-N2; 17 N-Q4, P-K3; 18 PxP, PxP; 19 Q-N4, B-QB1; 20 KR-Q1, P-K4; 21 N-B5!

Lputian pins his own knight for a potential mate six moves ahead.

21...Q-QB2; 22 Q-N5, N-B3.

Black finds that if 22...RxR ch; 23 RxR, PxN; 24 R-Q8 ch, K-B2; 25 Q-R5 ch, K-B3; 26 B-N5 ch, K-K3; 27 PxP mate.

23 NxB, KxN; 24 P-B4!

Opening up lines for rooks and bishops.

24...B-N2; 25 R-Q5, N-Q5; 26 RxKP! Resigns. For if N-K7 ch; 27 K-B2, NxR; 28 R-K7 ch. Lputian took only 14 minutes on his clock for the entire game.

White: S. Lputian. Black: Y. Balashov (USSR). Queen's Gambit Declined (Erevan 1986)

1 P-Q4, N-KB3; 2 P-QB4, P-K3; 3 N-KB3, P-Q4; 4 N-B3, B-K2; 5 B-N5, 0-0; 6 P-K3, QN-Q2; 7 R-B1, P-B3; 8 B-Q3, PxP; 9 BxBP, N-Q4; 10 BxB, QxB; 11 0-0, NxN; 12 RxN, P-K4; 13 Q-B2, PxP; 14 PxP, N-B3; 15 R-K1, Q-Q1; 16 P-KR3, N-Q4; 17 BxN, QxB; 18 R-K5, Q-Q3; 19 N-N5.

All the above represents well-trodden theory with the exception that 14...N-N3, gaining a tempo by attacking White's bishop, is superior to N-B3. White utilises his extra move by 16 P-KR3 which stops Black's B-KN5.

This would not matter much if Black now played 19...Q-N3! going for an endgame where White's advantage is minimal. Instead, Black wrecks his own position in just two moves.

19 . . . P-KN3; 20 R-B3, P-B3? 21 Q-N3 ch, K-N2; 22 R-K8!

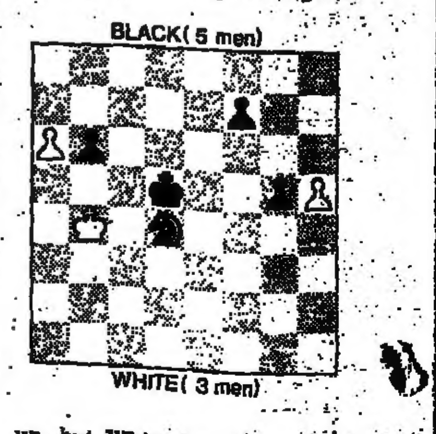
For if RxR; 23 Q-B7 ch, K-R3; 24 QxRP ch, KxN; 25 P-R4 ch, K-N5; 26 QxP ch, KxP; 27 Q-R6 mate.

22 . . . P-QR4; 23 RxB! Resigns. Another elegant tactic to conclude: if QRxR; 24 QxP ch, R-QB2; 25 QxR ch, QxQ; 26 N-K6 ch and 27 NxQ wins.

PROBLEM No 655

From a British Chess Federation adjudication, 1986. Black (to move) is a knight-and-pawn up, but White has fast-running pawns on both flanks. As impartial adjudicator, you have to decide whether Black wins, draws or loses, with best play on both sides. What is your verdict?

BLACK (5 men)



WHITE (3 men)

Solution Page XIX

Leonard Barden

Bryan Robertson castigates the new 'British Art in the 20th Century' exhibition

The commissars are coming

MORE ART is made in Britain than ever before. With art schools cut or closing this may not continue but right now the level is high. If you ask, "how much of it is any good," the reply must be "only a small amount": it's best to recall Henry Moore's response when questioned about the kindness of allowing so many art students to study when so few possess that special gift which alone adds something vital to art — "you have to have a lot of activity to get a little back that's any good" a truthful verdict still valid today when the work of only a few artists will forge new links in our art.

If there's so much art, what is our response to it? Thirty years ago, Kenneth Clarke pointed out that despite huge increases in the public for art, our attitude as passive consumers was far less enlightened than the Victorians', whose rich employers hired trains to transport thousands of workers from all over the country to London to see the Great Exhibition of 1851 and thus experience art as much as design. Our industrialists fight for survival or gamble at international bingo. We tend to view art more as entertainment.

But we still have responsibilities to the art that survives, to original achievement and to history. Sadly, the blight which accompanies the healthy burgeoning of art is a vast proliferation of middlemen: exhibition presenters, critics, and amateurs coming on as entrepreneurs — the derided Turner Prize, for instance, organised by the Friends of New Art at the Tate. With Friends like these .... There are now officials all over the country and although the majority are hard working men and women with balanced views, there is always the danger of a commissar emerging from the "presenters" who can so easily turn into misrepresenters.

The big show of British Art in the 20th Century at the Royal Academy is an example of commissar treatment. Subtitled "the modern movement and after," which itself begs a particular question, the works have been selected by a small panel of art historians whose combined view of British art in this period shows an alarming degree of ignorance or arrogance. The show has some real strengths: you can't go wrong with groups of work by Lewis, Epstein, Moore, Nash, Nicholson and Burra, and a small number of other painters are decently shown. But from then on the main cast of the show is grossly misleading, irresponsible in its omissions and often blatantly tendentious in what is included.

The rejected artists make a formidable register. S. W. Hayter, at 84 still painting brilliantly in Paris where he has lived since 1926, has made a decisive contribution to modern visual language as a founder of the Surrealist movement. Hayter was the artist chosen by Elvard to illustrate early poems and by Samuel Beckett to engrave a stone taken by him from the Liffey and presented by him, years later, to Joyce on his birthday. He has represented England in strength at the Venice Biennale and received the Légion d'Honneur from the French. His omission, historically speaking, is disgraceful. Charles Howard, the American who worked on Mendelssohn's Bexhill Pavilion with his friend Edward Wadsworth, and whose brilliant surreal abstractions created here between 1932 and 1968 are with out precedent is also forgotten. Merlyn Evans, whose abstract paintings between 1926 and 1971 based on industrial scenes make a powerful bridge between figuration and abstraction, has been ignored. David Jones, author of *In Parenthesis* and magic creator of luminous seascapes and mythological forests, whose sense of colour, light and line in the 20s was wholly innovatory here, is omitted. So is Christopher Wood.

In the 30s, the paintings and wooden relief constructions of Ceri Richards were also among the few works made in England that could be shown abroad without reservation. In the 40s, Tunnard made the next radical connection after Nash between landscape and abstract form and so did Frances Hodgkins, a magnificent painter of Dorset who endured lifelong poverty in England.

The show packages its chosen artists neatly into movements, the favoured ploy of historians too nervous to face up to the grand eccentrics who make up our art history. But even with this diminishing system, entire chapters of that history have been suppressed. The artists of 1939-45 are eliminated. No works by Colquhoun, Vaughan, Minton or Craxton. Colquhoun was a much grander forerunner, in his 40s paintings of women with bird cages, of the currently fashionable expressionist figuration. Prunella Clough, whose paintings for the past 40 years have brought our urban or industrial wastelands to majestic life, does not exist in this travesty of an exhibition.

And where in an exhibition calling itself "British" are the passionate works of the Irish painter, Jack Yeats, or the Scottish artists, Peplow, Ferguson, Innes or Joan Eardley? Or the fantasy paintings of Cecil Collins? Michael Sandle's omission is hardly surprising in this context; he is one of the most monumentally original sculptors working today, and so is Brian Kneale, also cut out. The post-war generation of sculptors whose work brought such international lustre to British art, Meadows, Chadwick and Butler, does not exist here. Neither does Elizabeth Frink nor Nigel Hall. The 60s are similarly decimated: no John Hubbard, no Robert Medley. Paul Huxley has composed a magisterial series of large abstract paintings for the past 20 years: his achievement is here ignored. But then so is the lifetime's achievement of *William Scott and Kenneth Martin.*

If the organisers lack space, they should have presented the show in two parts. One wonders for whom this exhibition is intended. Not artists, for they are betrayed. Not students because the show is a falsification of history. And for the general public the exhibition is equally misleading. Is it perhaps intended for the dealers, Anthony d'Affey, Marlborough and Waddington? The collation ends vapidly with some currently hot merchandise: Gilbert & George, Malcolm Morley, Barry Flanagan and Bruce McLean so that the cast list of the show as a whole resembles a patchy British Council handlist compiled by officials long marooned in some remote Balkan outpost for whom British art is a vague memory but who try to keep up to date with the art mags and promo literature. But it's no joke: the censoring commissars really mean it.

Bryan Robertson organised the Dufy exhibition at the Hayward Gallery in 1984 and directed the Whitechapel Gallery 1952-68.

Our art critic, William Packer, will review the exhibition in full next week.

"Saturday Market 1932" by Edward Burra

Radio

Class struggle erupts

WHEN YOUR hero is a young working-class Cambridge undergraduate who thinks he is forwarding the cause of anarchy by being rude to everyone he suspects of aristocratic breeding, and your heroine is an 82-year-old aristocratic lady who believes in class-distinctions and in being good to the servants, what you have, like it or not, is a political play. What I found so hard in Michael Arditti's *The Chatelaine* (Radio 4, Monday) was to decide whose side it was on. The BBC's weekly radio press leaflet, often so helpful, had nothing in it about Mr Arditti and nothing about his play that was not subsequently in the Radio Times.

David, elder son of what I must call working-class parents, is almost a caricature. "All my money's going to the Third World," he says, "I don't believe in private wealth." Accompanying his family on a visit to a stately home, "Everyone at Cambridge has a home like this," he affirms. And when he has worked out a way of getting into the house, "It's time to strike a blow," he decides, "and I'm the one." He borrows his young brother's Scout knife and breaks into the bedroom of Lady Deborah name?) and announces that as a freedom fighter he is going Coombe-Carington (a caricature to cut her throat.

Luckily, Lady Caroline, though she is never reserved about her social ideas, becomes sympathetic when David's intentions are checked by his bursting into tears, so sympathetic indeed that she offers him a job as her secretary, and a bed in the blue room. Once he's safe in bed, she dials 999. A typical act of aristocratic treachery, perhaps; or possibly a generous act to the poor in trouble. The characters on both sides of the political divide are so unreal I could not park my sympathies either way. Julian Firth did what he could with David, though I don't think a working-class (if I may use the phrase) accent could have been quite so completely obliterated by Cambridge. Fabia Drake gave a real touch of breeding to Lady Caroline, even if Mr Arditti was less confident. Richard Wortley was the director.

Earlier on Monday, Radio 4 gave us a repeat of another political play, Stephen Mulrine's *Blokada*, about the life of a family in Leningrad during the blockade. Mr Murline invented various acts of deceit and cruelty and so on, but he was not anti-Russian; he was anti-warfare. I found the play exciting and touching. How truthfully documentary of course I cannot say, but to take a handy comparison, it seemed to me to picture Leningrad better than Arbuzov's sentimental *The Promise*.

A different look at life beyond the Iron Curtain came in a play written beyond the Iron Curtain, Jelena Kohout's *Adi and Edi* (Radio 3 yesterday); but Jelena Kohout is Czech, and the Czechs like to wrap their life-style in comic allegory. Adi, a telephone operator, was once a psychiatrist and once did a circus act with a dog. The dog, Edi, is still with him, and can speak fluent Czech (in the translation by Hugh Rorrison). What can you do with a speaking dog in a totalitarian state? Naturally, it can use its talents for scent intelligence and reporting as a police agent, and as soon as the police discover Edi's abilities they lean on Adi to provide his dog for such purpose.

Jonathan Tafler played Edi with only occasional dog-noises. Mostly he contented himself with some growling rolled r's and a feeling of uncontrolled affection for his master that was truly dog-like. Adi, whom I would entrust with my own dog if I had one, was played by David Gooderson. The direction was by Jeramy Mortimer.

I am a pushover for science programmes, and listen whenever time allows. Radio 3's science programmes make no allowances for science-amateurs of my kind; if there are technical terms to be used, there they are, and if I don't understand them I can (if I remember them right) look them up in an encyclopaedia, though sometimes the encyclopaedia has not caught up with them. *A Start in Life* (Radio 3 last Saturday) dealt with the origins of life on earth, a philosophical problem that has its own society, the International Society for the Study of the Origin of Life. Was life sparked out of the gaseous cocktail of the atmosphere? Did it originate in the crystalline clays below the seabed? Or from the sub-oceanic vents? The remains of live cells have been found in rocks in South Africa and Australia that may be 3.5bn years old, a mere billion after the creation of the earth. Come to think of it, this is philosophy, not science.

The Radio 4 science programmes are easier to follow. Last Monday's dealt with life at sub-zero temperatures, but there was no hint as to how I might get my taps running before the freeze ends.

B. A. Young

Big helping of kitsch

Clare Armitstead finds that The Secret Garden at the King's Head doesn't work as a musical comedy.

DIANA MORGAN'S adaptation of the Edwardian children's classic The Secret Garden is a musical comedy with shares in Laura Ashley nostalgia at a time when even that bastion of the flounced wallpaper look has narrowed its skirts and set its cap at the 1980s. Perhaps it was inevitable, but I could not help regretting that a tale of childhood whimsy should be transformed into so kitsch and dated an offering as it becomes at Islington's King's Head Theatre Club.

Ms Morgan, being Welsh, has decided to set Frances Hodgson Burnett's story of friendship among forbidden flowers in a corner of Cardiganshire, where every yokel has a leek at his heart and a song full of hwyl in his throat. The plot takes us from India — and the death from cholera of our heroine's nearest and dearest — to Tregaron Hall, whither the orphan is whisked by an absentee uncle with A Terrible Sorrow, namely the death of his wife in the now secret garden.

Orphan Mary, played by Lucinda Edmonds with a flounce of pigtails and a spirited stamp of the foot, is a colonial brat with a well-concealed heart of gold who proves susceptible to the taming influence of Martha the Welsh maid (Karen Lynee), Richard Gauntlett's perky country lad, Dickon, and Ben the gardener, an entirely cliched performance from Hugh Futcher — though to be fair it is hard to see how else he could have played it. The director is Joan Kemp-Welch, and the production seems to court stereotype.

There is much parlour-type melody, strong on sentiment, less so in dynamism. The young composer Steven Markwick, last year's Vivian Ellis prize-winner for his own yet-unstaged musical, has produced some windsome enough tunes, but one senses his head is more engaged than his heart by the Edwardian idiom. Tim Goodchild's design imaginatively suggets the garden, though it could have done without the heavy partition curtain, which proved such an encumbrance early on to a supporting cast whose propensity for standing and delivering in serried lines is remarkable.

Chess solution No 655

Black wins by 1 . . . K-K3; 2 K-B4 (if 2 P-R6, K-B3; 3 P-KR7, K-N2 or 2 P-QR7, N-B3 ch), N-B3; 3 K-N5, N-R2 ch; 4 KxP, P-N5! 5 KxN, P-N6; 6 K-N7, P-N7; 7 P-QR7, P=Q, 8 P=Q, Q-N7 ch; 9 K-N8, QxQ ch; 10 KxQ, P-B4 wins. If White plays 6 K-N6, Black queens with check, while if 6 K-N8, Black forces the exchange by 8 . . . Q-KN1 ch.

Records

Fashionable Scandinavia

Stenhammar: String Quartets 1-6. Fresk, Copenhagen & Gotland Quartets. Caprice CAP 21337-9 (three separate CDs).
Stenhammar: Symphony No. 1. Gothenburg Symphony/Järvi. BIS CD219.
Stenhammar: Symphony No. 2. Stockholm Philharmonic/Westerberg. Caprice CAP 21151.
Stenhammar: Serenade. Gothenburg Symphony/Järvi. BIS CD310.
Sibelius: Kullervo. Mattila, Hynninen, Laulun Ystävät Male Choir, Gothenburg Symphony/Järvi. BIS CD 313.

THE SURGE of interest in Scandinavian music has been hard to follow. At present there is a large number of recordings being released in Britain, the majority of them emanating from Sweden and making available a whole range of composers previously known only by name and reputation. While a degree of scepticism is necessary over the claims made on behalf of some of these 20th-century symphonists, the release on compact disc of a healthy cross-section of works by Wilhelm Stenhammar can be welcomed unreservedly.

Stenhammar's Second Symphony was played at the 1985 Proms, and for many British concert-goers that must have been the first opportunity to sample the output of the most significant Swedish composer after Berwald. Stenhammar was born in Stockholm in 1871, was largely self-taught as a composer, and appears to have spent much of his professional life trying to reconcile his aspirations as a composer with the demands of a successful career as a pianist and conductor. He was in charge of the Gothenburg Orchestra for 15 years, and was appointed director of the Stockholm Opera Orchestra four years before his death in 1927.

Even in Sweden his reputation has been acquired posthumously. During Stenhammar's lifetime only a handful of his songs and nationalist hymns were well known, though the composer did appear as soloist in his two piano concertos. Perhaps his slowness in finding an individual voice was the reason for his lack of success; perhaps equally the lack of early acceptance delayed the onset of his artistic maturity—distinguishing cause and effect in such circumstances is difficult. But the origins of Stenhammar's style and the way in which he moulded it are carefully mapped in the series of six quartets, written between 1894 and 1916, which the Caprice label has just released on compact disc, in variable, slightly edgy but always adequate performances by the Fresk, Copenhagen and Gotland String Quartets.

The first two quartets (1894 and 1896) could have been written by any skilful young composer of the last quarter of the 19th century who had studied Schumann's quartets carefully. The only hint of something more personal emerges in their slow movements, while a hint of Scandinavian origins might be suspected from the way in which German romanticism has been filtered through Grieg. In the Third and Fourth Quartets (1900 and 1909) Beethoven, Sibelius and Bruckner became more detectable, while the final pair of quartets (1910, subtitled "Serenade," and 1916) seem to look back to the 18th century, to Haydn and Mozart, for their cleaner lines and sharper rhythms. In those last works, however, the musical personality is fully rounded: the ghosts of the past have been assimilated, the nationalist heritage from Berwald recognised.

The Sixth Quartet is close to the world one recognises from the Second Symphony and the orchestral Serenade (1913), Stenhammar's two finest, most exportable works. The First Symphony (1903) is interesting for its clues to the piecing together of Stenhammar's orchestral style — Bruckner and Brahms to a large extent, with brief appearances from other late 19th-century symphonists — but its aim is uncertain, and despite the urgency of Järvi's performance it marks time just too often. But both the Second Symphony and the Serenade deserve regular places in the programmes of any symphony orchestra, and to a British audience their language and delicately veiled nostalgia will be irresistibly reminiscent of Elgar.

The parallels between the two composers should not be pressed too far, but both were heirs to the same romantic legacy, and both were forced to look to the Austro-German tradition for influences, in the absence of home-grown mentors. I would not pretend that Stenhammar's Second Symphony has the range and structural coherance of Elgar's Second; the example of Sibelius was clearly one which Stenhammar had to work hard to exorcise and the folksy elements in the symphony sometimes seem too earnest an attempt at nationalist sentiment. Westerberg's performance with the Stockholm orchestra is the best I've heard, clearly superior to Järvi's, available on the BIS label.

In may ways the Serenade is a more remarkable achievement than the symphony, a six-movement work lasting almost three-quarters of an hour, less austere and employing imaginative scoring of a chamber-music like transparency. Somewhere in its background I suppose is Brahms; but the form is so totally personalised that it seems sui generis: it's hard to think of another substantial work that matches its combination of divertimento-like spiritedness and deep, lingering lyricism. Järvi's performance reinstates a movement, "Reverenza," that Stenhammar dropped from his scheme after the cool reception of the premiere; certainly its vaguely antique quality fits well into the sequence of character pieces. Here Järvi's directness, sometimes a shade coarse-grained, is appropriate: an approach that aimed at over-refining the textures would deprive the music of its muscular strength, a characteristic that links Stenhammar most confidently with Sibelius and Nielsen.

All of these Swedish releases are excellently documented, with helpful and informative notes and, in the case of the Caprice discs, music examples. The latest CD addition to BIS's Sibelius series with Järvi and the Gothenburg Symphony deserves brief mention also: while his account of the Kullervo Symphony may not have the breadth of Berglund's recent EMI recording, it is more than compensated by the splendour of the singing of Karita Mattila and Jorma Hynninen, who manages to surpass his performance for Berglund. Järvi's swiftness allows the work to sit comfortably on a single CD: its rival takes two. That for some may be its main advantage, though singing of such fierce intensity and dramatic bite deserves to be heard for its own virtues.

Andrew Clements

Thracian delights

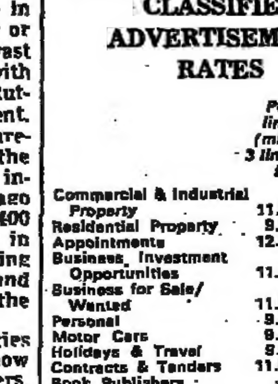
BULGARIA, the British Museum and Mr Robert Maxwell have brought a hot find to London: a hoard of 165 silver and silver-gilt vases, mostly 4th century BC, and weighing 20 kg. Just a year ago a tractor driver came on the bowls (for drinking wine or offering it to the gods), jugs and cups of The New Thracian Treasure from Rogozen, Bulgaria (until March 29: catalogue with same title £3.50 at the BM during the exhibition £4.50). He dug some. Archaeologists recovered the rest—in the January cold.

Most of the vases were made locally using the rich local metal supplies. Often they follow Greek originals; and there are some imports from Greece and Asia Minor. The [illegible] buried in a hurry, presumably during a war. Like other Thracian treasures from Bulgaria, and the Macedonian treasures in Thessaloniki, they show the wealth of the northern rim of the Aegean in the time of Philip and Alexander.

The vases are small but make a strong impact as a group. The more elaborate jugs have figured scenes of lions attacking deer, boar hunting, winged monsters, hounds attacking a bull, and the Great Goddess herself — and perhaps her consort — being driven in winged chariots pulled by winged horses. Here are the lively hopes and fears of 4th century Thrace.

As there are no written records of the time, these scenes are a rich addition to what we know of the Thracians. Who owned this splendid set, which would have served a feast, we do not know. Several bowls have inscriptions (punched in dots) in Greek to say that they belonged to Kotys who was a king (383-359 BC) in Thrace, but of a different tribe and territory from the Triballi in north-west Bulgaria, where Rogozen is. The Rogozen treasure must then include gifts, or booty, from Kotys and his family.

What is Mr Maxwell's role? As chairman of the Lyudmila Zhivkova International Foundation (England and Wales) he suggested the exhibition. It is generous of Bulgaria to let the Rogozen treasure come here so extraordinarily quickly.



Thracian jug

Gerald Cadogan

Collecting

Top hat tales

TUESDAY'S AUCTION of costume and needlework at Christies includes an unusual collection of gentlemen's hats ranging from the 1820s to the beginning of this century and covering the whole period from the early highpoint of the stovepipe hat to its decline and extinction.

The stovepipe was perhaps the strangest but most persistent aberration of masculine style. In the view of the pioneer of fashion psychology, Willett Cunnington, "there could scarcely have been a more convincing symbol of lofty aspiration and evidence of the superior class wearing it. It put the Upper Classes a foot taller than ordinary mortals."

The inventor of the high silk hat was a hatmaker in the Strand called John Hetherington. The destiny of innovators being what it is, his contribution to European civilisation did not meet with unqualified welcome.

When he first ventured forth in his hat, just 190 years ago, on January 15, 1797, he was charged with a breach of the peace "for having appeared on the public highway wearing upon his head a tall structure having a shining lustre and calculated to frighten timid people." It was alleged that women fainted at the sight, children screamed, dogs howled and a small boy had his arm broken in the riot that resulted.

Publicity brought its rewards, and the style quickly caught on with the raffish set. In the first quarter of the century the shape and size of the cylindrical hat fluctuated widely according to the whim of batter and wearer, with brims broad and narrow, straight and curly, and crowns that flared out or narrowed into a truncated cone.

By early Victorian times the general shape was more or less standardised, though there were still subtle variations of style. Only the flash, fast, common and the "gent," however, risked more extravagant deviations from the norm. Victorian photographs suggest that at its tallest, the top hat may have approached one foot in height, though the tallest in the Christie collection, dating from around 1820 is a mere eight inches. The first top hats were made of a felted cloth called "beaver;" silk began to come into vogue about the time of Waterloo.

We know where Wellington bought his own hats, and the shop, James Lock and Co, it still where it was then, and has been ever since 1764, at 6 St James's Street. The firm is older than that, however: Lock was successor to Robert and Charles Davis, who began selling hats in St James's Street in 1676 — supplying a fashionable public which had migrated from the City to St James's after the Plague and Fire of London.

The premises, last modernised in the 1820s, have still a wholly Georgian air, and the hats are supplied in drum-shaped white card boxes little different from those in use a hundred or two hundred years ago. Another distinguished Lock customer was Nelson, for whom they devised a naval hat with integral eye-patch, just in time for Trafalgar.

Locks struck the first blow at the dominance of the top hat in the 1850s, when they began marketing a round topped hard felt hat ordered by a farmer called William Coke. Coke, who intended it as a kind of crash helmet for game-keepers, tested its efficiency by jumping up and down on it in the St James's Street shop. The hat was popularly named after the maker of the prototype, Bowler of Southwark. Locks, however, called it the "Coke"; otherwise it was rather illbred to call it anything but the "hard felt."

By the end of the century gentlemen were offered a dizzying range of headgear. Soft felts as well as hard felts gradually became acceptable in the city, and for the country or the colonies there was a vast repertoire of hats and caps with names like the Cawnpore, Rutland, Tyrol, Portland and Trent.

Two world wars brought bare-headed decadence, and the virtual extinction of an industry. A hundred years ago there were more than 400 hatters and 150 hat makers in London alone. Today, including Locks, only three hatters and six makers are listed in the Yellow Pages.

The collection in Christies had been preserved by a now defunct Dutch firm of hatters, Giessen of Delft, which started in business in 1829. They are now sold as "the property of a nobleman" (the salerooms relish aristocratic provenance). Rarity makes the hats museum pieces, and prices around £500 are expected for theb est of them.

Janet Marsh

WEEKEND FT

• SPORT •

John Barrett, **reporting from Melbourne, describes Australia's impressive new national tennis centre**

A tennis park fit for the 21st century

TODAY I stepped into the future. While the 75th Australian Tennis Open was continuing at Kooyong, seven kilometres away in suburban Melbourne, I enjoyed the exhilirating experience of climbing to the top of the towering stands of the half-built centre court at Australia's new National Tennis Centre in Flinders Park.

To the south, across Batman Avenue, the River Yarra flowed muddily towards central Melbourne, not a kilometre away, and on past the wharves of

To the north-east, beyond the railway sidings, lay the Melbourne Cricket Ground, dominated by its six banks of floodlights which stood on slender legs peering down towards the scene of the track events of the 1956 Olympic Games. To the west, alongside the steel and cement of the gigantic stadium with its 15,000 seats, sprouted the concrete ovals of the two minor show courts with accommodation for 6,000 and 3,500 spectators respectively.

On the ground on the other side lay the first of the two sections of sliding roof—a huge 350-foot span of semi-circular steel tubes—that, at the flick of a switch, will move slowly along the 100-metre track high above to convert the tennis stadium into an air-conditioned arena that will double as an entertainment centre.

This whole ambitious A$70m (£30m) project has caused a political storm in Victoria. The state's Labor premier, John Cain, with the support of the National Party, has steered through the legislation that was necessary to convert a six-hectare open space so near the heart of the city to sporting use. He has also committed the state government to guarantee the A$70m that has been raised on the commercial money markets. With year-round entertainment as well as tennis use, it is anticipated that the loans will be paid off in 16 year.

The man behind the project is Brian Tobin, a former player who is president of Tennis Australia (formerly the Lawn Tennis Association of Australia). The decision to change the title was also his—"to create the right image of a vigorous, forward-looking governing body of Australian tennis. We need a clear identity to present an improved product to potential sponsors."

The National Tennis Centre, with its lavish corporate boxes, broad public walkways, comfortable restaurants and state-of-the art communications centre for the press, will perfectly project that image when it opens at the end of 1987 with a veterans match between the legends of Australian and American tennis.

> Despite a political storm, Australia's new A$70m tennis centre will set standards for years to come

The revival of past Davis Cup memories will thus reinforce the present euphoria surrounding the recent victory of Neale Fraser's men over Cup holders Sweden — a national achievement that, together with the change of date from December to January, has been largely responsible for the record crowds that have thronged the Open this week.

In fact, the uncomfortable crush has highlighted the total inadequacy of the 60-year-old Kooyong site as the venue for the first Grand Slam championship of the year. The move will not come a moment too soon.

The one regret among the Australian tennis community and traditionalists elsewhere is that the playing surface at the National Tennis Centre cannot be grass. Even though the vast open roof will allow uninterrupted sunlight to fall on the court area between the hours of 9.30 am and 5.30 pm, so that grass could be grown, it would be impossible to keep it alive during the winter months when the surface will be covered over for other uses.

The decision on the surface will not be made until February, by which time it is hoped that many of the international players in Melbourne this week will have visited the Camberwell Tennis Centre where, since last March, six experimental surfaces have been in use.

Understandably, Tennis Australia would like to lay a surface that performs as closely as possible to natural grass. This would retain Australia's natural advantage in home Davis Cup ties—an important consideration when one remembers Australian successes in that competition ever since the first individual win in 1939. (Previously, as Australasia, they had shared with New Zealand in six wins between 1907 and 1919.)

Thus there are three versions of second generation sand-filled synthetic grass on two of the Camberwell courts. Alongside are two varieties of asphalt already widely in use, a new cushioned asphalt, and an outdoor version of the indoor carpet that is used in most professional tournaments. An unofficial Australian-made synthetic grass court has also been hurriedly laid within the last two weeks.

Before visiting Camberwell, most of the players have been vociferous in their condemnation of synthetic grass which, they claim, is slippery and dangerous. World champion Ivan Lendl even jokingly said to Brian Tobin: "I hope you choose synthetic grass, then I would not need to make this long journey next January." Pat Cash and Kevin Curren have also been among those speaking against the surface. Although their comments may be true of certain first-generation courts, which have too much surface sand, it is certainly not true of the Camberwell courts, which have a different fibre — a shorter, denser pile and almost no surface sand. I played on them myself the other day and found the foothold excellent and the bounce very much like medium-fast grass. I also enjoyed the new cushioned asphalt court which was not too fast and pleasant on the legs.

Obviously each player will speak out of self-interest according to which surface suits his game. Accordingly, unanimity of view will never be achieved. However, Tennis Australia merely hopes that the doubters will at least take the trouble to test all the surfaces and give their opinions.

World champion Ivan Lendl: no lover of grass

Whatever the final decision on choice of surface, the National Tennis Centre, besides being a bold statement of faith in the future of Australian tennis, will set the standard internationally for tennis facilities well into the 21st-century.

Nicholas Keith **on the backgound to Oxford and Cambridge's annual contest for the President's Putter**

Golf's noble flourish against winter's blast

AS THE severe weather takes its inevitable toll (both of today's rugby internationals have been postponed until April), the amateur golfer's attention traditionally turns to Rye, on the south coast. At this time of year, fans will have been looking for the results of the Oxford and Cambridge Golfing Society's annual contest for the President's Putter.

This year, sadly and untypically, the snow stopped the proceedings at the semi-final stage last Sunday. But battle will resume on March 14, and once again the cry goes up about the whys and wherefores of playing competitive golf in England in mid-winter.

The Putter, in fact, has a noble record. It started in 1920 and has been cancelled only once, in 1979. In 1963 it moved to nearby Littlestone, and in 1982 and 1985 the final stages took place in March. The society is incensed by the mocking tones of outsiders—often in the popular press—who make fun of the participants as "madmen playing in a winter frolic, swimming in kummel." It is nothing of the sort, as its history shows.

Before the war the society included some of the country's best golfers among its members. It was closely followed in the press, notably by Bernard Darwin of The Times, himself a member and the winner in 1924. In the early days the competition was dominated by three men: Holderness, Wethered and Tolley, all Walker Cup players and winners of the Amateur in the 1920s. They won the title 11 times in the first 20 years, and appeared in 14 of the pre-1939 finals.

Also taking part then were Gerald Micklem, Laddie Lucas, and Leonard Crawley, who were picked at some stage to take on the Americans in the Walker Cup, and John Beck, the captain in one of Britain's rare victories in 1938. Their careers continued when the event resumed in 1947.

The Putter has been lovingly and painstakingly researched by Peter Bathurst, to whose history I am extremely grateful. By a strange coincidence, he reached the last eight this year, in his 34th Putter and at the age of 60. He had beaten two former winners in Christopher Weight and Donald Steel.

In a foreword in 1971 to Bathurst's chronicle, it was Micklem who summed up the event and its historian: "As a tournament it produces all that is best in golf . . . Someone who really radiates this enjoyment and spirit is Peter Bathurst; he has been to every Putter since he was elected a member in 1950 . . ."

In fact it was Micklem who was in "perhaps the most dazzling final of all," against Lucas in 1953. He was out in 33, one-under-par, to be three up. Lucas made a recovery with birdie three's at the 11th and 16th; but he missed putts on the 13th and 14th, which meant that be lost on the 17th green. It was the loyal Micklem's only success.

From 1947 to 1959 the Putter was held by Walker Cup or home internationals. Winners who have not already been mentioned include Tony Duncan, Gordon Huddy and Alec Shepperson (who outclassed Micklem for victory in 1957 in his last year at Oxford). The year 1957 also market the first appearance of Ted Dexter, England's future cricket captain, more of whom later.

The 1959 champion was Ian Wheater, an undergraduate and lefthander who won again in 1961 "but did not come often after that." In between, Bathurst notes, "1960 was the first time that the weather took a hand" and the final was reduced to 15 holes. He also reports that something was now disappearing from the Putter. Although the winners were good players, their names did not catch the public's attention and there was not the same strength in depth. The new generation had other interests, such as jobs. The good players did not often attend and less space was given to the Putter in the papers.

In the '60s the honours list included the Walker Cup player, Michael Attenborough. There were now some lesser lights achieving more than they might have in the past. However, there is nothing wrong with Dexter's golf. He has a fine swing and an imperious long game. If his putting had not let him down at key moments, he would not have had to wait until 1983 for his first triumph. Yet Dexter has dominated the Putter in recent years, reaching six finals and a semi-final since 1969.

After his win in 1983, Dexter was beaten in the final the next year in a splendid match by Andy Edmond, a Cambridge undergraduate who at 20 became the second youngest winner (to Stuart Melville, 19, in 1980). In 1985 Dexter became the oldest champion, at 49, by defeating another recent hero and a three-time winner, Alan Holmes.

It is astonishing how the top players keep their game going in January. Although conditions are not always as bad as people think, there is often a stiff wind, sometimes driving rain (occasionally both), which make the links at Rye a towering test of golf. The long hitters (like Dexter) often have to yield to gritty men with frustratingly good short games. And it is a minor triumph to maintain your short game when your hands are cold or wet.

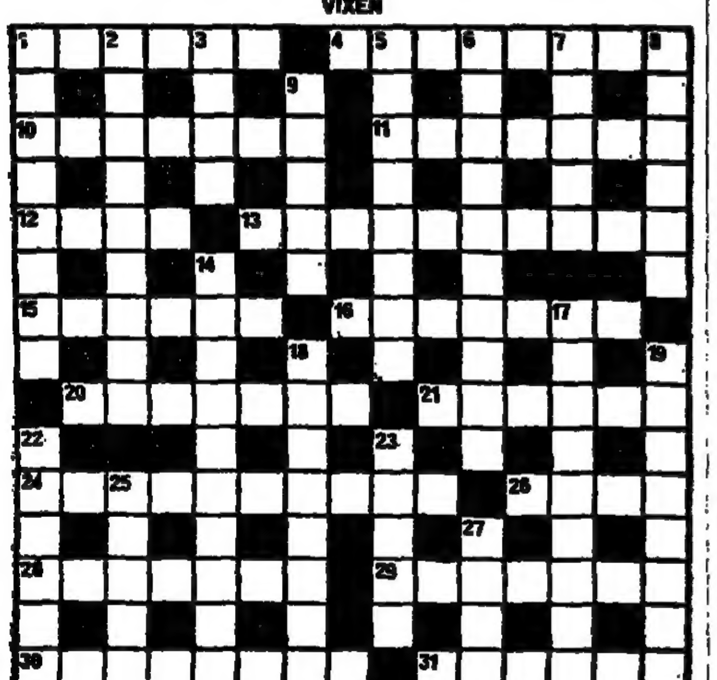
This year has brought a new challenge: a woman. She is Fiona Macdonald, who broke new ground and made minor headlines last year when she played for Cambridge against Oxford at Ganton. She became a member of the society, and Rye had to change its rules to allow her into its main bar, which was confined to men. Miss Macdonald became an honorary man for the purpose, perhaps another oddity but further evidence of the society dealing with changed and unforeseen circumstances. Unfortunately, Miss Macdonald lost in the first round.

The semi-finalists who will return in March are Ian Barclay, who meets David Meacher, the son of Michael, Labour's shadow social secretary, a regular caddy at the university match: his son is the Cambridge secretary in the March battle with Oxford at Formby. The other semi-final features Ian Armitage, the runner-up to Holmes in 1981, against Paul Vickers.

It has all been summed up by John Littlewood, who produced a statistical analysis which is kept up to date: "I doubt whether any golfing event offers the same statistical variety as the Putter," he wrote. "Few competitions can claim an entrant who has played consecutively 36 times; a semi-finalist aged 63, and an entrant 58 years after he left university." Long may it flourish as a warm and friendly gesture against the blast of winter.

FT CROSSWORD PUZZLE NO. 6,229

VIXEN



Prizes of £10 each for the first five correct solutions opened. Solutions, to be received by next Thursday, marked Crossword on the envelope, to The Financial Times, 10 Cannon Street, London EC4P 4BY. Solution next Saturday.

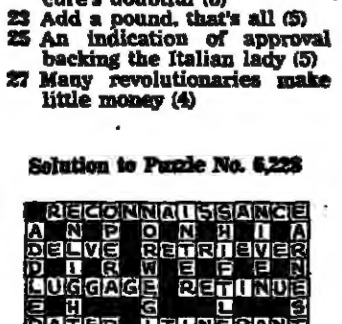
ACROSS

1 Western nations no longer count on this (6)
4 A scholar without scholarship at Westminster? (8)
10 The plan is to extend (7)
11 "The wretched have no —" Dryden (All For Love) (7)
12 A group of policemen can be vitriolic! (4)
13 Sea and river in general (10)
15 For some of the best a ticket's needed still (6)
16 Senior students dissecting remains (7)
20 The writer is back on regular payment (7)
21 The archaic warning given by the queen's bodyguard (6)
24 Regal resignation (10)
26 Very large loans—no answer when capital is required (4)
28 Hold on. It can change (7)
29 Constant suffering (7)
30 Rate again, being concerned with letter about dope (8)
31 Get around a girl or get the bird (6)

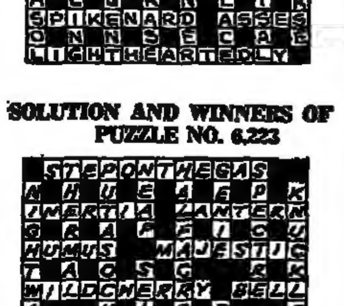
DOWN

1 Value a really quiet lift (8)
2 Dislike a man to be funny about *one* (9)
3 A little pause does the trick, and that's not new (4)
5 Delinquent demanding a tip in advance (8)
6 Made in a tin, cooked, and kept (10)
7 Nobody will receive can-opener as present (5)
8 Proceed with the summary (6)
9 Fume if set at odds before midday (5)
14 Superior five-year-olds? (5, 5)
17 Nowadays undertaking introduction (9)
18 Argues against ministers (8)
19 A Parisian quarter is expected to, though it's not looked for (8)
22 Slight depression—finding a cure's doubtful (6)
23 Add a pound, that's all (5)
25 An indication of approval backing the Italian lady (5)
27 Many revolutionaries make little money (4)

Solution to Puzzle No. 6,228



SOLUTION AND WINNERS OF PUZZLE NO. 6,223



Mr H. M. Bawtree, West Byfleet, Surrey; Mr W. E. Lawman, Glenfield, Leics; Mrs J. Richards, Hythe, Kent; Mr G. T. Smith, Barnstaple, Devon; Mr G. P. Townend, Esher, Surrey.

TELEVISION AND RADIO

SATURDAY

† Indicates programme in black and white

BBC 1

8.30 am The Hunter. 8.35 The Muppet Babies. 9.00 Saturday Superstore 12.15 pm Grandstand including 12.20 Cricket: England v West Indies at Brisbane; 1.00 News; 1.05 Skiing: The Men's Downhill from Wengen; 1.25 Bobsleigh: The Two-Man Bob Competition from the World Championships at St Moritz; 1.55 Cricket: Further coverage of England v West Indies; 3.50 Half-times; 3.55 Cricket; 4.40 Boxing: Preview of Harol Graham v Charlie Boston fight; 4.50 Final Score. 5.05 News. 5.15 Regional programmes. 5.20 Perfect Strangers. 5.45 Jim'll Fix It. 6.20 Hi-De-Hi! 6.50 Bob's Full House.

7.25 The Paul Daniels Magic Show. 8.10 Bergerac. 9.05 Carrott Confidential. 9.40 News and Sport. 9.55 Boxing. 10.45 Cagney and Lacey. 11.35 Cricket: The World Series Cup. England v West Indies from Brisbane.

BBC 2

†2.40 pm Film: "Shakespeare Wallah" starring Felicity Kendal and Madhur Jaffrey. 4.40 World Darts. 5.45 International Bridge Club. 6.15 Micro Live. 6.45 Newsview. 7.25 Tchaikovsky: The Symphonies. 9.00 Saturday Review. †9.55 Film: "Pather Panchali" (Bengali with English subtitles). 12.00-1.00 am World Darts.

LONDON

6.50 am TV-am Breakfast programme. 9.25 No 73. 11.00 The Outsiders. 12.00 News. 12.05 pm Saint and Greavsie. 12.30 Wrestling. 1.20 Chips. 2.15 Comedy Classic: Please, Sir! 2.45 "Where No Vultures Fly" starring Anthony Steel, Dinah Sheridan and Harold Warrender. 4.45 Results Service. 5.00 News. 5.05 Walt Disney Presents. 5.15 Blockbusters. 5.45 The A-Team. 6.45 Cannon and Ball. 7.15 Me and My Girl. 7.45 The Price is Right. 8.45 News and Sport. 9.00 Dempsey and Makepeace. 10.00 Aspel and Company. 10.45 LWT News Headlines followed by Movie Premiere: "Coal Miner's Daughter" starring Sissy Spacek and Tommy Lee Jones. 12.55 am Glastonbury featuring Roy Harper.

CHANNEL 4

9.25 am A Question of Economics. 9.50 Moneyspinner. 10.20 The Heart of the Dragon. 11.15 Land of the Lakes. 12.15 pm Isaura the Slave Girl. 12.55 World of Animation. 1.00 Somerstown. 2.00 "Bitter Sweet" (Jeanette MacDonald stars with Nelson Eddy). †3.45 "Blitz on Britain." 5.05 Brookside Omnibus. 6.00 Right to Reply.

6.30 The Great Australian Boat Race: The America's Cup. 7.00 News Summary followed by Sing Out. 7.30 Bandung File. 8.15 The Orchestra. 8.45 A Map of Dreams. †9.00 The Power Game. 9.55 Four Minutes. 10.00 Hill Street Blues. 10.56 An Audience with Kenneth Williams. 11.55 "Smile Orange."

S4C WALES

10.30 am Opinions: The Red Flag. 11.00 A Week in Politics. 11.45 What the Papers Say. †12.00 Feature Film: "Star Spangled Rhythm." 2.00 Film: "Rebecca."

4.20 Scotland Yard. 5.00 Citizen 2000. 6.00 Right to Reply. 6.30 The Great Australian Boat Race: The America's Cup.

7.00 The March of Time. 7.30 Newyddion. 7.50 Sion a sian. 8.20 Bwrlwm bro. 9.20 Y maes chwarae. 10.20 Soap. 10.50 Feature Film: "Out of the Blue."

IBA Regions as London except at the following times:—

ANGLIA

11.00 am Tarzan. 1.20 pm Scarecrow and Mrs King. 12.55 Shepherd's Pie.

BORDER

11.00 am Spiderwoman. 11.30 Pick a Number. 1.20 pm Indiana Jones: Heroes and Sidekicks.

CENTRAL

11.00 am Spiderwoman. 11.30 Runaway Island. 1.20 The Fall Guy. 2.15 Who's The Boss? 12.55 am Central Jobfinder '87.

CHANNEL

11.00 am Tarzan. 11.50 Today's Weather. 1.20 pm The Fall Guy. 10.45 Feature Film: "The Passage." 12.35 am A Flock of Seagulls.

GRAMPIAN

11.00 am U.F.O. 1.20 pm Magnum. 1.00 am Reflections.

GRANADA

11.05 am The Greatest American Hero. 1.20 pm UFO. 2.15 Small Wonder. 10.45 The Big Match. 11.30 Movie Premiere: "Coal Miner's Daughter."

HTV

11.00 am UFO. 11.58 HTV News. 1.20 pm Knight Rider. 11.00 am Saturday Night Music—Live from Wiesbaki's.

TSW

11.00 am Gus Honeybun's Magic Birthdays. 11.03 Chips. 11.57 TSW News. 1.20 pm The Fall Guy. 2.15 City Safari. 5.05 Newsport. 5.10 Blockbusters. 5.40 Gus Honeybun's Magic Birthdays. 12.55am Postscript.

TVS

11.00 am Tarzan. 11.57 TVS Weather. 1.20 pm The Fall Guy. 10.45 "The Passage" starring Anthony Quinn and James Mason. 12.35 am A Flock of Seagulls. 1.30 Company.

TYNE TEES

11.00 am U.F.O. 11.55 Lookaround. 1.20 pm The Bionic Woman. 1.00 am Poetry of the People.

ULSTER

11.00 am The Outside. 11.58 Lunchtime News. 1.20 pm UFO. 4.55 Sports Results. 5.03 Ulster News. 8.57 Ulster News.

YORKSHIRE

11.00 am Planet Of The Apes. 1.20 pm Tucker's Witch. 12.55 am Jobfinder.

Stereo on VHF

BBC RADIO 2

8.05 am David Jacobs. 10.00 Sounds Of The 60s. 11.00 Album Time. 1.00 pm Radio Active's Backchart. 1.30 Sport On 2 including Football; Cricket: Benson and Hedges World Series Cup—England v The West Indies; Racing At Ascot and at 5.00 Sports Report. 6.00 I'm Sorry I Haven't A Clue. 6.30 Look What They've Done To My Song. 7.00 Beat The Record. 7.30 An Evening of Popular Classics. 9.30 String Sound. 10.05 Martin Kelner. 12.05 am Night Owls. 1.00 Bill Rennells. 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News. 7.05 Aubade. 9.00 News. 9.05 Record Review. 10.15 Stereo Release. 11.40 Chicago Symphony Orchestra (12.15 pm Interval Reading). 1.00 pm News. 1.05 Takacs String Quartet: Haydn and Beethoven. 1.55 Major Sea Crossing (The story of Rachmaninov's journey to America). 2.15 The Schubert Piano Sonatas. Martino Tirimo plays the last sonata, in B flat (D 960). 3.00 Bruno Walter. 5.00 Jazz Record Requests. 5.45 Critics' Forum. 6.35 'T Nederlandse Orgel. 7.15 The Beethoven Piano Concertos. John Lill plays the first three concertos with the London Symphony Orchestra conducted by James Loughran (8.25-8.35 Interval Reading). 9.20 Box On The Ear. 9.40 Vienna, Zurich, Constance and Beyond. 10.05 Medtner Piano Sonatas. 10.40 Bracknell Jazz Festival ("Forward Motion" recorded in 1986). 11.57-12.00 News.

RADIO 4

7.00 am Today. 9.00 News. 9.05 Sport on 4. 9.30 Breakaway. 10.00 News; Loose Ends. 11.00 The Week in Westminster. 11.25 From Our Own Correspondent. 11.55 The Weekend on 4. 12.00 News; Money Box. 12.27 pm Quote . . . Unquote (S). 12.55 Weather. 1.00 News. 1.10 Any Questions? 1.55 Shipping Forecast. 2.00 News; Dilys Powell's History of the British Cinema (S). 2.30 The Afternoon Play (S). 4.00 News; International Assignment. 4.30 Science Now.

5.00 The Living World. 5.25 Week Ending. 5.50 Shipping Forecast. 5.55 Weather; Travel. 6.00 News; Sports Round-up. 6.25 Stop the Week with Robert Robinson (S). 7.00 Saturday Night Theatre (S). 8.30 Baker's Dozen (S). 9.30 Thriller! 9.50 Ten to Ten (S). 9.58 Weather. 10.00 News. 10.15 The Saturday Feature: Malvern Goes to Vicenza. 10.45 The Enthusiasts. 11.00 Tales from the Mausoleum Club (S). 11.30 The Cabaret Upstairs (S). 12.00-12.15 am News.

SUNDAY

† Indicates programme in black and white

BBC 1

8.55 am Play School. 9.15 Umbrella. 9.30 This is the Day. 10.00 Asian Magazine. 10.30 Great Experiments. 10.55 Buongiorno Italia! 11.20 Lyn Marshall's Everyday Yoga. 11.30 Parent Programme. 11.45 Telejournal. 12.10 pm See Hear. 12.35 Farming. 12.58 Weather for farmers. 1.00 This Week Next Week. 2.00 EastEnders.

3.00 Film "Father Goose," starring Cary Grant. 4.50 Tom and Jerry Cartoon. 5.00 The Dairy of Anne Frank. 5.30 Antiques Roadshow. 6.15 Lifeline. 6.25 News. 6.40 Songs of Praise from Holmfirth, West Yorkshire, home to the following programme! 7.15 Last of the Summer Wine. 7.45 Miss Marple: Sleeping Murder. 8.40 Mastermind. 9.10 News. 9.25 That's Life! 10.10 Everyman. 10.50 Designers. 11.20 The Sky At Night.

BBC 2

†10.20 am The Whirlybirds. 10.45 The Charlie Brown and Snoopy Show. 11.05 Blue Peter. 11.55 The Monkees. 12.20 pm Windmill 1.20 Rugby Special with David Parry-Jones. 2.20 The Week in the Lords. 3.00 Tchaikovsky—The Symphonies. 3.45 A Place in the Sun. 4.20 Ski Sunday. 5.05 World Darts.

7.15 The Money Programme. 7.45 The Natural World: A Wilderness Like Eden. 8.35 Tchaikovsky: The Symphonies. 9.35 Did You See? 10.10 Screen Two: Will You Love Me Tomorrow? 11.35 Cricket. The World Series Cup. (Highlights from Australia v England). 12.25-1.00 am Darts (Embassy World Professional Championship.)

LONDON

6.55 am TV-am Breakfast Programme. 9.25 Wake Up London. 9.30 Fraggle Rock 10.00 No 73. 10.30 The Adventures of Black Beauty. 11.00 Morning Worship. 12.00 Weekend World. 1.00 pm Police 5. 1.15 The Smurfs. 1.30 Link. 2.00 LWT News Headlines followed by Encounter. 2.30 The Big Match Live 4.30 A Little Princess. 5.00 City Safari. 5.30 Bullseye.

6.00 The Television Show. 6.30 News. 6.40 Highway. 7.15 Catchphrase. 7.45 Surprise Surprise. 8.45 Crazy Like a Fox 9.45 News. 10.00 The World According to Smith & Jones. 10.30 The South Bank Show. 11.30 LWT News Headlines followed by End of Empire.

CHANNEL 4

9.25 am Sunday East. 10.00 The World This Week. 11.00 Worzel Gummidge. 11.30 The Waltons. 12.30 pm The Tube. 2.00 Pob's Programme. 2.30 Viva Verona: "Tosca." 4.45 World Alive: Spain. 5.15 News Summary followed by The Business Programme. 6.00 Australian Rules Football. 7.15 The World at War. 8.15 State of the Art. 9.15 A Fortunate Life. †11.00 "The Creature From The Black Lagoon" starring Richard Carlson.

S4C WALES

9.00 am Hafoc. 10.00 The World This Week. 11.00 Worzel Gummidge. 11.30 The Waltons. 12.30 pm The Tube. 2.00 Feature Film: "Carmen" with Julia Migenes-Johnson and Placido Domingo. 4.45 Arwyddion Ffyrdd. 5.15 The Business Programme. 6.00 Australian Rules Football. 7.15 Wil Cwac Cwac. 7.20 Newyddion. 7.30 Caryl Thomas. 8.00 Pobol y Cwm. 8.30 Dechrau Canu, Dechrau Canmol. 9.00 Rhaglen Hywel Gwynfryn. 9.35 Frank Lloyd Wright. †10.15 Feature Film: "From Here To Eternity."

IBA Regions as London except at the followin gtimes:—

ANGLIA

9.25 am Cartoon Time. †1.00 pm The Beverly Hillbillies. 1.25 Weather Trends. 1.30 Farming Diary. 12.30 am Walking in the Light.

BORDER

9.25 am Border Diary. 1.00 pm Farming Outlook.

CENTRAL

9.25 am Max The 2000 Year Old Mouse. 1.00 pm Link. 1.30 Here and Now. 12.30 am Cantral Jobfinder '87.

CHANNEL

9.25 am Today's Weather. 9.28 Starting Point. 1.00 pm Les Francais Chez Vous. 1.30 Farm Focus. 6.25 Channel News Headlines.

GRAMPIAN

9.25 am Cartoon. 11.30 A Personal View—Alick Buchanan-Smith. 1.00 pm Farming Outlook. 1.30 Country Ways. 2.30 Scarecrow and Mrs King. 3.30 Bullseye. 4.00 City Safari. 6.00 Scotsport. 12.30 am Reflections.

GRANADA

9.25 am Max, The 2000-Year-Old Mouse. 1.00 pm Members Only. 1.05 Aap Kaa Hak. 1.10 Wish You Were Here. 1.40 This is Your Right. 11.30 Hotel.

Tilly Vosburge and Joanne Whalley in "Will You Love Me Tomorrow": BBC 2, Sunday, 10.10 pm

HTV

9.25 am Max The 2000 Year-Old-Mouse. 1.00 pm Farming Wales followed by Weather for Farmers. 6.35 HTV News.

TSW

9.25 am Look and See. 1.00 pm The South West Week. 1.30 Farming News. 4.30 pm Gardens For All. 6.35 TSW News. 12.25 am Postscript Postbag.

TVS

9.25 am Employment Action! 1.00 pm Agenda. 1.30 Farm Focus. 6.25 TVS News. 12.30 am Company.

TYNE TEES

9.25 am Hello Sunday. 1.00 pm Farming Outlook. 12.30 am Epilogue.

ULSTER

9.25 am Cartoon Times. 12.58 pm Lunchtime News. 1.00 Link. 1.30 Farming Ulster. 1.58 Farming Weather. 6.38 Ulster News. 9.57 Ulster News. 12.25 am Sports Results. 12.30 News at Bedtime.

YORKSHIRE

9.25 am Cartoon Time. 1.00 pm Link. 1.25 Farming Diary. 12.30 am Five Minutes. 12.35 Jobfinder.

(Stereo on VHF)

BBC RADIO 2

7.30 am Roger Royle says Good Morning Sunday. 9.05 Melodies For You. 11.00 Desmond Carrington with your Radio 2 All-Time Greats. 2.00 pm Benny Green. 3.00 Alan Dell with Sounds Easy. 4.00 Peter Morrison Sings with the Langham Orchestra. 4.30 Sing Something Simple with the Cliff Adams Singers. 5.00 Charlie Chester with your Sunday Soapbox. 7.00 Living with Betty. 7.30 Operetta Nights. 8.30 Sunday Half Hour. 9.00 Your Hundred Best Tunes. 10.05 Songs From the Shows. 10.45 Robert Docker . . . at the piano. 11.00 Sounds of Jazz with Tony Russell. 1.00 am Bill Rennells presents Nightride. 3.00-4.00 A Little Night Music.

BBC RADIO 3

7.00 am News 7.05 La Petite Bande. 8.00 The Musician's Choice. 9.00 News. 9.05 Your Concert Choice. 10.30 Music Weekly. 11.15 Parkian/Milne/Fleming Trio. 12.15 pm From The Proms. The Scottish National Orchestra with Young Uck Kim (violin) and Yo-Yo Ma (cello) in the Brahms Double Concerto, and music by John Casken and Mussorgsky's Pictures from an Exhibition orchestrated by Ravel (1.10-1.15 Interval Reading). 1.55 From The Festivals. 2.50 "La Gioconda" Ponchielli's opera with Eve Marton in the title role and Placido Domingo (sung in Italian). 5.45 New Premises (Arts review with Nigel Andrews). 6.30 Envy, Hatred and Malice: Rodney Milnes explores the sound of hatred in opera. 7.00 Liszt and the Piano. Leslie Howard plays Liszt's arrangements of Beethoven including the Symphony No 6 (Pastoral). 8.00 BBC Symphony Orchestra in New York direct from the Lincoln Center, conducted by Sir John Pritchard, part 1: Walton (Overture: Portsmouth Point), Tchaikovsky (Violin Concerto). 8.45 The Wooden World. 9.05 Concert, part 2. Shostakovich (Symphony No 11). 10.25 Piano Music by Prokofiev and Goehr (s)) Recital by Roger Woodward including Prokofiev's 2nd Sonata. 11.10 Langham Chamber Orchestra (Overture: Partenope), Boccherini (Cello Concerto No 6, with Alexander Baillie), Haydn (Symphony No 12). 11.57-12.00 News.

RADIO 4

7.40 am Sunday. Religious news and views from home and abroad, including 7.55 Weather; Travel. 8.00 News. 8.10 Sunday Papers. 8.50 Brian Redhead talks, for the Week's Good Cause, about research into the problems facing young people as a result of unemployment. 8.55 Weather. 9.00 News. 9.10 Sunday Papers. 9.15 Letter From America by Alistair Cooke. 9.30 Morning Service (s). 10.15 The Archers (Omnibus edition). 11.15 Pick Of The Week (s). 12.15 pm Desert Island Discs (s). 12.55 Weather. 1.00 The World This Weekend. 1.55 Shipping forecast 2.00 News; Gardeners' Question Time. 2.30 The Afternoon Play (s). 3.30 Heritage. 4.00 News: The Food Programme. 4.30 The Natural History Programme. 5.00 News. 5.05 Down Your Way. 5.50 Shipping forecast. 5.55 Weather. 6.00 News.

6.15 Actuality (s). 7.00 Secret Lives (s). 8.00 Bookshelf (interview with novelist, Doris Lessing). 8.30 A Word In Edgeways. 9.00 News; Some Mother's Son (s). 9.30 The Brass Barons. 9.55 Weather; Travel. 10.00 News. 10.15 The Sunday Feature (s). 11.00 Seeds Of Faith. 11.15-16 Committee. 12.00-12.15 am News.